

**AN INTERPERSONAL APPROACH TO MODELLING  
BUSINESS-TO-BUSINESS RELATIONSHIP QUALITY**

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In memory of

**Granny Elsie**

Who once told me that

'The safest place to store your wealth is in your head.'

## **ABSTRACT**

# **An Interpersonal Approach to Modelling Business-to-Business Relationship Quality**

by

**Armando Luís Vieira**

In the last two decades, we have been watching a dramatic change in the nature of buyer-seller relationships. Relationship quality (RQ) is nowadays seen as the source of superior performance and competitive advantage, rather than service quality and/or customer satisfaction. As firms move towards closer, more collaborative relationships, the role of relationship managers as marketers is increasingly vital to organisational success. Despite the crucial role that relationship managers play in building business-to-business (B2B) RQ, very little research has looked at the key constructs of inter-organisational RQ from an interpersonal approach.

Using both qualitative and quantitative approaches, this study aims at contributing to a better understanding of the nature, determinants, and dimensions of RQ. Particular attention is paid to developing and testing a B2B RQ model from an interpersonal perspective. In response to a gap identified in the literature, which draws primarily on buyer only perspectives, the exploratory, qualitative phase of this study was conducted from a dyadic perspective, thereby providing a stronger conceptualisation of RQ and its determinants and dimensions. A combination of literature with a series of semi-structured interviews with representatives of hotels operating in Portugal and their corporate clients helped inform the development of a RQ model which was subsequently tested through structural equations modelling. For the main survey, the unit of analysis was the relationship of the dyad, as perceived by the client, and 948 client representatives provided their perceptions of their relationship with their counterparts in hotels, yielding a 40.7 percent response rate. Goodness-of-fit estimates provided strong support for the model. All but one of the suggested research hypotheses were supported and the amount of explained variance by the proposed determinants was acceptable. Three alternative models were analysed and rejected in favour of the proposed model.

Findings highlighted the importance of social bonds, which seem to promote contractual bonds and have a positive impact on perceived RQ, likelihood of recommendation and expectation of future contact. If social bonds are able to encourage repeat business and loyalty, then they may influence overall profitability. This research also expanded the empirical research on RQ by submitting its key constructs to a rigorous, quantitative test, this way contributing to narrow another gap in the literature, which refers to the existence of some consensus on building blocks of RQ such as commitment, satisfaction and trust, but not on their connections in the model. In addition, results emphasised customer orientation as a building block of RQ. This, in turn, draws the attention to the importance of including in the design of firms' strategies the careful selection, training, and motivation of (designated) relationship managers, the 'face' of the organisation, in order to maximise the performance of organisations in building B2B RQ. By focusing on relational drivers, this study responds to the lack of research on the interactive characteristic of RQ, i.e. buyer-seller interactions primarily in a person-to-person communication, and suggests theoretical and managerial guidelines regarding the social level in the governance of business relationships.

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## LIST OF ACRONYMS

Adjusted Goodness-of-Fit Index .....	AGFI
Akaike's Information Criterion .....	AIC
American Marketing Association .....	AMA
Asymptotically Distribution-Free .....	ADF
Average Squared Multiple Correlations .....	ASMC
Business-to-Business .....	B2B
Business-to-Consumer .....	B2C
Chi-Square Goodness-of-Fit Test .....	$\chi^2$
Client Manager .....	CM
Client Share .....	CliShare
Commitment .....	COMMIT
Communication .....	COM
Comparative Fit Index .....	CFI
Conceptual Control Variables .....	CCV
Confirmatory Factor Analysis .....	CFA
Contact intensity .....	ContFreq
Contemporary Marketing Practices .....	CMP
Customer Orientation .....	COR
Customer Relationship Management .....	CRM
Existence of a Signed Contract .....	Contract
Expected Cross Validation Index .....	ECVI
Exploratory Factor Analysis .....	EFA
Final Structural Model Cross-Validated on the Validation Sample .....	FM
First Proposed Alternative Model .....	AM1
Goodness-of-Fit Index .....	GFI
Industrial/International Marketing and Purchasing .....	IMP
Instituto Nacional de Estadística .....	INE
Kaiser-Meyer-Olkin Measure of Sampling Adequacy .....	KMO
Length of Relationship with Client Manager .....	CMrelLen
Length of Relationship with Hotel .....	HrelLeng
Linear Structural Relationships .....	LISREL
Maximum Likelihood .....	ML
Measured Control Variables .....	MCV
Missing Value Analysis .....	MVA
Mutual Goals .....	MG

Non-Normed Fit Index .....	NNFI
Office for National Statistics .....	ONS
Parsimonious Normed Fit Index .....	PNFI
Pre-Processor for LISREL .....	PRELIS
Problem Solving Behaviour .....	PSB
Ratio of $\chi^2$ to degrees of freedom .....	$\chi^2/\text{df}$
Reversed Coded .....	RC
Relational Exchange Theory .....	RET
Relational Investment and Dependence .....	RID
Relational Net Benefits .....	RNB
Relationship Marketing .....	RM
Relationship Quality .....	RQ
Relative Relational Rewards .....	RRR
Root Mean Squared Error of Approximation .....	RMSEA
Second Proposed Alternative Model .....	AM2
Selling Ethics .....	SE
Selling Orientation .....	SO
Service Quality .....	SQ
Size of Corporate Client .....	Nempl
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Weighted Least Squares .....	WLS

## CHAPTER 1 – INTRODUCTION

### 1.1 Introduction

This chapter provides a preview of the research project as well as an overview of its importance to marketing practitioners and researchers. The next section discusses the relevance of the topic, with emphasis on the crucial importance of the concept of relationship quality (RQ) and the social level of business relationships. Next, the questions from which the focus of this study stems from will be presented along with the specific research objectives that act as a means to accomplish the general goal of this study: to identify the nature, determinants, and dimensions of RQ. The chapter then presents a brief description of the process of model development, the research methodology, and the potential contributions of this study. Finally, the structure of the dissertation will be briefly outlined.

### 1.2 Relevance of the Topic

RQ is regarded as a major research interest within the relationship marketing (RM) literature and a crucial factor in developing successful business-to-business (B2B) relationships (Palmatier et al. 2006; Rauyruen and Miller 2007). The success of inter-organisational relationships, in turn, is viewed as crucial to financial performance given that 'most firms must leverage other organizations' capabilities and resources to compete effectively' (Palmatier et al. 2007, p. 172). The delivery of high quality goods and services is increasingly claimed to be just a minimum requirement for competitiveness rather than being the source of superior performance. It is the quality of the relationship with partners that seems to provide a basis for competitive advantage and business success (Palmer 2002; Peppers and Rogers 1995). Since the product/service offered by companies in a given market can be essentially the same, differentiation is exerted through the development of long-term good quality relationships with clients. A quality relationship will enable the organisation to resist changes in the competitive environment, for example, via technology or price (Grönroos 1990; Grönroos 2000; Kempeners 1995; Zineldin 1999). This is particularly true in business environments characterised by maturity and intense competition, as is the case of the research setting for the present investigation, as detailed later in this dissertation. Previous research suggests that RQ is a key factor for future interaction between buyers and sellers (Crosby et al. 1990), that service quality does not appear to have a significant impact on purchase intentions (Cronin and Taylor 1992), and that satisfaction is not enough to retain clients, namely



because satisfied customers often defect (Reichheld and Sasser 1990). Indeed, it has been suggested that measures of service quality should be replaced by measures of RQ, and that future investigations need to look beyond satisfaction because it has long been recognised that RQ is the key factor in repeat business (Boles et al. 1997). Though RQ is viewed as a central variable in marketing relationships and notwithstanding a large and growing body of literature, there is still little attention paid to the concept, a high degree of ambiguity on its nature, and a lack of understanding of what are its determinants and dimensions (Grönroos 2000; Ivens and Pardo 2007; Palmatier et al. 2006). It has been argued that this vagueness, reflected by the absence of consensus on a definition and measure (Dorsch et al. 1998; Palmatier et al. 2006; Sheth and Parvatiyar 2002), may have in part to do with the different levels at which business relationships seem to develop, e.g. structural, economical, and social (Holmlund and Tornroos 1997; Walter et al. 2003). Though authors proposed different combinations of these levels, the importance of the interpersonal component, referred to as actor/social bonds in the IMP literature (e.g. Ford et al. 1998), is highlighted in a significant number of studies on B2B RQ (e.g. Holmlund 2001; Holmlund and Strandvik 1999; Walter et al. 2003). People-based relationships in a B2B context are also the focus of the present research. Other relationship levels, although not central to this thesis, will be addressed in a little more detail later on.

This thesis focuses on inter-organisational relationships from an interpersonal perspective because, as described in more detail in the following chapters, social bonds arising from personal contact between buyer and seller appear to be prevalent in the development of high quality business relationships (Crosby 1989). Social bonds between relationship managers and clients can be a powerful tool to augment the core product/service (Kempeners 1995; Price and Arnould 1999), and their influence on customer satisfaction with company representatives and perceived value is stronger than that of economic resources (Bolton et al. 2003; Haytko 2004). Indeed, frequently, relationship managers are the primary contact point for the buyer and have a significant influence on the level of quality delivered, especially in those situations where the customer perceives that 'the salesperson is the company' (Crosby et al. 1990, p.68).

It has been suggested that customers' perceptions of the representatives of the organisation influence their perception of the organisation (Iacobucci and Ostrom 1996). It has further been argued that the success or failure of relationships depends strongly on the way relationship managers act, as well as on the

strength of the social bonds between them and their counterparts in firms (Bejou et al. 1998; Boles et al. 1997; Cann 1998; Gummesson 1994; Pressey and Mathews 2000). In effect, the customers' privileged contact person in the firm, or, in other words, the relationship manager, can communicate with the customer as an individual instead of a mere member of a segment, like in mass marketing, and, thus, is in a privileged position to provide added value to the service and control its quality (Crosby 1989). This opportunity for message tailoring is considered the hallmark of RM (Berry 1983; Crosby 1989). In spite of this, very little research has looked at the nature, determinants and dimensions of inter-organisational RQ from an interpersonal perspective (Bolton et al. 2003), which is why more research is needed on this subject. By combining both qualitative and quantitative approaches to study the relationships between hotels and their corporate clients, this research explores the nature, determinants and dimensions of RQ. Particular attention is paid to developing and testing a B2B RQ model from an interpersonal perspective.

### 1.3 Definition of the Research Problem and Goals

Since the concept of RQ was introduced in the marketing lexicon by Gummesson (1987), more than two decades ago, it has increasingly attracted the attention of researchers and practitioners to relationships as part of customer perceived quality (Grönroos 2000). Gummesson (1987) also presented the three pillars that delineate the emergence of the RQ: **long-term** (relationships need time to develop and maintain), **interactive** (bilateral and multilateral supplier-customer interactions to produce and deliver goods and services, mainly in a person-to-person communication) **relationships** (marketing can be seen as the management of relationships within a network). If RQ, the purported result of RM efforts (Palmatier et al. 2006), emerges from long-term relationships in which person-to-person interactions play a crucial role, as Gummesson (1987) argues, two major implications for researchers and practitioners arise. On the one hand, it is not enough to address the effectiveness of marketing relationships merely from the perspective of service quality, which describes how quality is perceived at the episode (or service encounter) level (Grönroos 2000). Rather it is necessary to place the analysis at the level of **relationship quality** and to study the dynamics of the formation of long-term quality perception, that is, the ability to satisfy clients along the sequences of the episodes that form a relationship (Grönroos 2000; Storbacka et al. 1994). On the other hand, contact personnel should be regarded as a major asset in any organisation that views its network of relationships as a source of competitive advantage (Gummesson

1996; Kay 1995) and as critical as its factories, products, and capital (Gordon 1998).

In a B2B exchange environment, relationship managers that participate in dyadic person-to-person interactions with their counterparts in firms are, not only responsible for managing relationships with clients, but also a special class of contact personnel, given their additional responsibility of being the 'face' of the corporation (Perrien and Ricard 1995). In addition, in service environments, person-to-person interaction is even more critical, given that it works as a proxy for a more objective measure of performance, due to absence of a physical item of transaction (Berry 2002; Haytko 2004). The importance of person-to-person interaction in a B2B exchange environment is further highlighted because interpersonal relationships between boundary-spanning individuals play a major role in shaping the business relationship and driving the processes and outcomes of inter-firm interaction (Haytko 2004; Hutt et al. 2000). Indeed, the relational component is deemed very important in B2B relationships (Dwyer et al. 1987; Ivens and Pardo 2007; Jackson 1985; Palmatier et al. 2007). This is because person-to-person interaction and social bonds contribute to the governance of business relationships by complementing the boundaries established by legal documents (Hutt et al. 2000), adding social utility to economic utility (Frenzen and Davis 1990), providing a conducive frame for economic change (Larson 1992), and reducing both economic and social uncertainty (Haytko 2004). In a time when it is increasingly argued that marketing is shifting from a transactional paradigm to a relational one (e.g. Grönroos 1994; Palmer 2002; Sheth and Parvatiyar 2002; Sheth and Parvatiyar 1995; Vargo and Lusch 2004), practitioners and researchers (e.g. Huntley 2006; Palmatier et al. 2006; Rauyruen and Miller 2007) are posing themselves the following questions: What is the nature of relationship quality? How can relationship quality be conceptualised and measured? What drives relationship quality? It is from these questions that the focus of the present investigation stems from.

As stated, RQ is viewed as essential for the success of B2B relationships, a form of differentiation and competitive advantage, and the key factor in repurchase, superseding factors like satisfaction and service quality. While the focus of this study is the B2B context, interpersonal RQ may be relevant across a variety of contexts where long-term interactions and the formation of social bonds are important. RQ, being the result of RM efforts (Palmatier et al. 2006), is intrinsically long-term, strategic and predominantly interpersonal (Gummesson 1987). The importance of interpersonal relationships between organisational

boundary spanners is consistently acknowledged in literature originating from different streams of thought (e.g. Hutt et al. 2000; Nicholson et al. 2001; Osborn and Hagedoorn 1997). However, little research has been produced on the role of key individuals in inter-organisational relationships (see Haytko 2004, for an exception) in general, and on B2B RQ from an interpersonal perspective in particular. Several unresolved issues persist, as described in more detail in the following chapters, and this is probably why Grönroos (2000), among other authors, acknowledges that RQ's general attributes or antecedents are still to be identified. In fact, authors have been consistently calling for more research on the nature, determinants, and dimensions of RQ (e.g. Huntley 2006; Ivens and Pardo 2007; Kempeners 1995; Naudé and Buttle 2000; Rauyruen and Miller 2007; Walter et al. 2003). As implied earlier and detailed later in the present dissertation, normally RQ is viewed in the literature as an indicator of *relational* success or, in Crosby et al.'s (1990, p. 76) terms, 'an indicator of the health and future wellbeing' of the relationship, potentially leading to *business* success, through RQ outcomes such as loyalty (e.g. Hennig-Thurau et al. 2002; Rauyruen and Miller 2007), repurchase (e.g. Hewet et al. 2002), and good word-of-mouth (e.g. Huntley 2006; Palmatier et al. 2006). Given the difficulties in gaining competitive advantage through imitable factors such as the product/service offering, price or technology, firms strive to optimise the quality of the relationship with each business partner, which is viewed as a key differentiation factor and vital organisational goal *per se*, without which the possibilities regarding maximisation of overall performance would be seriously endangered. Indeed, it has been recently suggested that good quality relationships with business partners are probably the major assets of firms (Ford and Hakanson 2006), which can be used for achieving competitive advantage and maximised for profit (Hunt et al. 2006). A marketing strategy based on good and enduring relationships cannot be easily imitated, thus providing for a 'unique and sustained competitive advantage' (Buttle 1996, p.1) and, 'thereby, superior financial performance' (Hunt et al. 2006, p. 76). RQ is viewed as an indispensable resource for the success of a business partnership (Crosby et al 1990). Given that resources (in particular, relational resources) are heterogeneous across firms and imperfectly mobile, each firm's resource set is to some extent unique. Therefore, differences in resource sets will explain differences in performance (Hunt et al. 2006). RQ is thus viewed as a valuable, non-imitable organisational capital, a *sine qua non* condition for the success of a business partnership, particularly in markets characterised by maturity and highly intense competition, which justifies this study's approach on RQ and its

determinants and dimensions only. RQ outcomes, other than its dimensions, are, therefore, out of the scope of the present thesis.

Against this background, the overarching research question or general goal of this study refers to the identification of the nature, determinants, and dimensions of RQ. More specifically, this research adopts a people-based, inter-organisational approach to modelling RQ, in a mature and highly competitive services marketing and management context where B2B relationships, despite occurring formally between organisations, contain a significant interpersonal component. The chosen research setting – i.e. a B2B services marketing environment where interpersonal interactions between firms' representatives play a crucial role – is believed to constitute one of the most suitable environments for RM and RQ. Although the marketing literature (e.g. Gümmesson 1995; Vargo and Lusch 2004) is starting to question the traditional distinction between goods and services, and associated implications about RM and RQ being more appropriate for services, the relevant issue is to know under what circumstances relationships matter. Indeed, where relationships are important and appropriate, so will RM and RQ. RM and RQ are most appropriate when exchange relationships are characterised by frequency, uncertainty and asset specificity, where there is a significant dependence on trust and where interpersonal interactions are important (Berry 1983; Crosby et al. 1990). Although it is perceived that, in practice, this may dominantly refer to B2B transactions and service transactions, it is also acknowledged that RM and RQ are not automatically restricted to these domains. Nevertheless, as also implied earlier and detailed later in this thesis, despite the existence of other contexts with these characteristics, the research context of the present investigation is considered suitable for the study of RM and RQ, for it corresponds to the majority of the referred circumstances. In this context, the research objectives are:

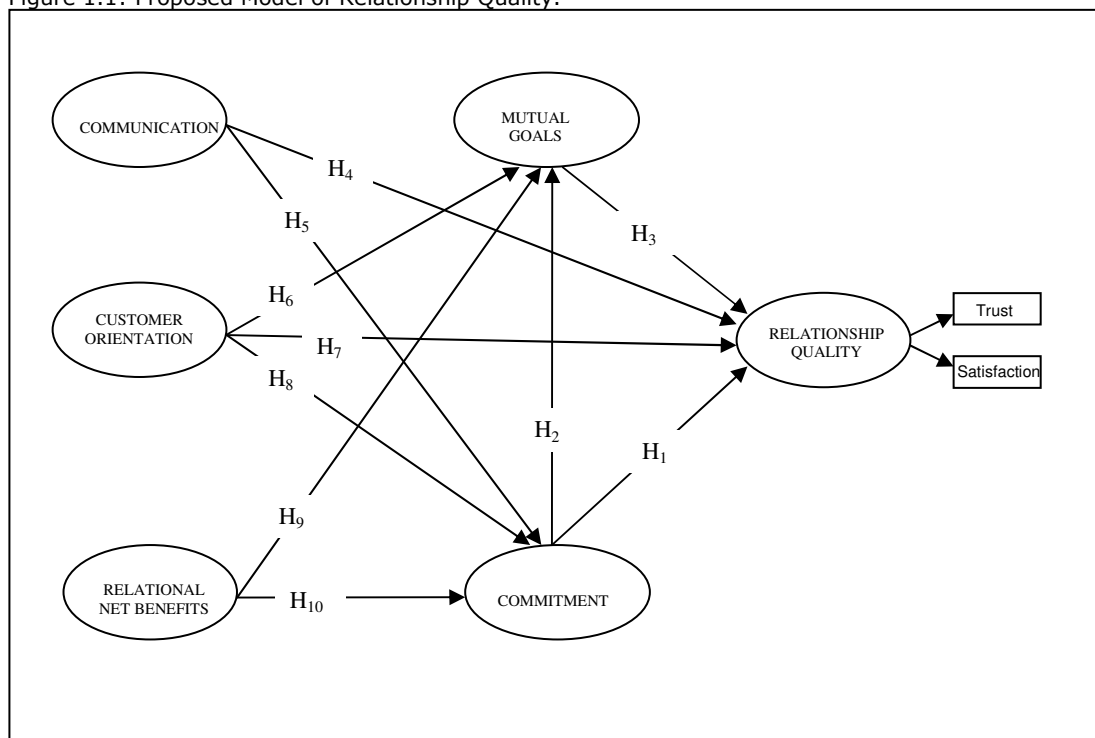
- To explore and characterise people-based relationships and RQ in a B2B context;
- To identify the relational determinants and dimensions of B2B RQ; and
- To develop a B2B RQ model from an interpersonal perspective.

#### **1.4 Model Development**

This study adopts Boles et al.'s (1997, p. 254) RQ definition: 'an evaluation of the personal and business ties linked to an interaction between a buyer and a

salesperson in a business setting'. As a first step to answer the research questions, the proposed determinants and dimensions of RQ were identified and conceptualised by combining literature on RQ with qualitative empirical results of an exploratory study investigating the relationships between hotels operating in Portugal and their corporate clients. The conceptualisation process revealed the following key constructs, which were included in the proposed model as potential determinants of RQ. Communication, customer orientation, and relational net benefits, were included as exogenous latent variables. Commitment and mutual goals were conceptualised as endogenous latent variables. Satisfaction and trust were included as potential dimensions of RQ, the central endogenous variable in the model. This extends existing models by introducing customer orientation as both direct and indirect antecedent, and relational net benefits as an indirect antecedent, while continuing to recognise the importance of commitment and communication (with both direct and indirect proposed impacts on RQ), along with mutual goals as a direct antecedent of RQ (see Figure 1.1).

Figure 1.1: Proposed Model of Relationship Quality.



## 1.5 Methodology

The methodology is based on a multi-methods approach, combining literature and exploratory in-depth interviews, as mentioned in the last section, followed by a large scale mail survey. The research context for this study fulfils the conditions of a 'personal relationship marketing context' as suggested by Crosby et al. (1990, p.72). The only difference in this study is that the RQ construct is

addressed under conditions of relative information symmetry, an important requirement for the possible generalisability of the model. Employing a dyadic approach, consistent with the adopted RQ definition, in-depth interviews with 23 hotel corporate clients and 8 hotel managers were conducted and analysed using both within and cross-case analysis. The proposed model of RQ builds on this qualitative phase that helped inform conceptualisation, model development, and the preparation of the quantitative phase.

Within the quantitative phase, a cross-sectional field survey, employing a self-administered, pen-and-paper questionnaire operationalised the above mentioned latent constructs, which were adapted from extant studies and included in the proposed model. These constructs, as well as their respective scales, were contextualised with the help of the qualitative study, having suffered minor adaptations bearing in mind the context for this research and that the unit of analysis is the relationship between the representatives of the corporate client and the hotel, as perceived by the client. Accordingly, respondents were asked to describe their relationships with their correspondent key contacts in hotels, that is, client managers, as far as the several facets of the relationship are concerned, which are represented by the above mentioned constructs included in the proposed model. The survey was based on 2,329 corporate hotel clients, as they constitute the segment that presents more potentialities for repeat business (Yelkur and DaCosta 2001). 1,002 responses were received, yielding a final sample comprising 948 cases, considering that 54 questionnaires were returned incomplete, which corresponds to a response rate around 40.7%.

The overall strategy concerning quantitative data analysis was divided in two main parts: model calibration and model validation. For this purpose, the final sample of collected data was split in two random halves, the calibration sample and the validation sample. Within model calibration, the two-step approach suggested by Anderson & Gerbing (1988) was followed. In this context, the evaluation of the measurement model was carried out using exploratory (EFA), complemented with confirmatory factor analysis (CFA) which was conducted under the principles of structural equations modelling (SEM). Then, within the model validation phase, the structural model was assessed from a competing models perspective, also with SEM.

From a complementary perspective, SPSS (version 14) and LISREL (version 8.72) were used both to assess the psychometric properties of the measurement

scales and to explore the hypothesised relationships among RQ and its proposed key constructs depicted in Figure 1.1.

### **1.6 Potential Contributions**

This research intends to make an original contribution that is valuable to the field and useful for both practitioners and researchers. By devising and rigorously testing a RQ model in an important B2B services context from a people-based, inter-organisational perspective, it is believed that this investigation represents a valuable contribution to better understand the nature, determinants, and dimensions of RQ, the alleged result of RM efforts. In addition, although this research represents a contribution to knowledge in a particular context, it is expected that the proposed model could be replicated in different mature and highly competitive service settings, such as banking or insurance, or any other B2B setting where relationships, despite occurring formally between organisations, contain a significant interpersonal component.

Although marketing has its roots in the microeconomic, transactional paradigm, in which value is assessed in terms of products and prices, in the new reality of marketing management people and processes must be taken into consideration (Webster 1992). It is perceived that this research would add value to the understanding of RQ and the RM paradigm, either if it had provided support to the above mentioned model, or, on the contrary, if it had failed to confirm it. In the latter case, it might constitute a word of caution in relation to the focus on inter-organisational long-term relationships with a strong interpersonal component. To put it simply, if a model of RQ does not produce satisfactory results in an ideal B2B services marketing environment (i.e., where the representatives of firms interact mainly on a person-to-person basis and both RM and RQ find one of their best habitats), it is very unlikely that it performs effectively elsewhere. Conversely, if the results provided sufficient evidence that the model is correct for the population of interest and supported by the data, which was the case in this study, then this could constitute a motivation for researchers and practitioners to continue with their efforts regarding the development of long-term interactive relationships from a people-based approach.

It is perceived that this investigation extended the knowledge on RQ and its determinants and dimensions, for it responds to the increasing recognition of the importance of interpersonal relationships in B2B contexts, on the part of both managers and researchers, after a period of time characterised by a focus on



more 'impersonal' relationships, predominantly based on technological investments, which led to an insufficient importance attributed to the idea that the source of competitive advantage is closely related to the quality of long-term relationships between partners. In effect, this research suggests concrete and important insights for both practitioners and researchers, especially taking into account that some of the characteristics of the present investigation are not frequently found in previous studies, or, at least, not included as a rule, but rather as an exception.

Previous approaches to modelling RQ draw primarily on buyer only perspectives, less frequently on the seller's view, and rarely both, a limitation that is probably related to the difficulty of collecting data from both sides of the dyad. In response to this gap, the exploratory phase of this study, conducted from a dyadic perspective and integrating empirical qualitative evidence and literature, provides a stronger conceptualisation of RQ and its key constructs. This is perceived to constitute an important contribution to the field, not least because of the opportunity to clarify the nature of people-based relationships and RQ in an inter-organisational context by bringing together the perspectives of both buyer and seller. It is believed that this 'two-way', more realistic perspective strengthens the distinctiveness and contribution of the present investigation. Furthermore, still in terms of theoretical contributions, this research expanded the empirical research on RQ, by submitting its key constructs previously identified in the literature to a rigorous, quantitative test. In fact, another gap in the literature refers to the determinants and dimensions of RQ. Previous research identified building blocks such as commitment, satisfaction and trust, among other constructs, however their connections in models lack consistency and a people-based, inter-organisational approach to RQ. Not only does this study provide measures with good psychometric properties for the constructs included in model, it also produces both theoretical and empirical support, first for the conceptualisation and operationalisation of RQ as a higher-order construct, in line with Crosby et al.'s (1990) classic study, and second for the identified determinants and their connections in the model. While corroborating the importance of constructs normally referred to as RQ key constructs or building blocks, such as commitment and trust, the quantitative component of the present thesis also suggested customer orientation as an additional building block of RQ, as evidenced by the prominent influence of this construct in the model. The results of the quantitative analysis benefited from a relatively large sample, which allowed for a calibration phase followed by a validation phase, conducted from a competing models perspective. These characteristics,

especially when combined with the above mentioned exploratory, qualitative phase, form a combination of components that is seldom found in previous studies and that is believed to have played a decisive role in strengthening the quality of this study's contributions for both theory and practice.

As far as managerial contributions are concerned, this study's emphasis on customer orientation as a building block of RQ reiterates the need for managers to focus on what is most valuable to buyers in order to build high quality relationships, thereby working alongside clients towards mutual beneficial relationships. This, in turn, draws the attention to issues as much obvious and important as often neglected, such as carefully selecting, training, empowering, motivating and compensating relationship managers, the 'face' of the organisation, so that they can perform effectively, namely in terms of the relational determinants of RQ. Indeed, a review of the literature on RQ permits to identify a gap that refers to the insufficiency of research on the interactive characteristic of RQ, that is, buyer-seller interactions 'primarily in a person-to-person communication' (Gümmesson 1987, p.11). This study, especially in its qualitative component, underlined the importance of social bonds, which seem to promote contractual bonds and have a positive impact on perceived RQ, likelihood of recommendation and expectation of future contact. If social bonds can be a means to foster repeat business and loyalty, then they could influence overall profitability. One implication is the importance of the role of designated client managers, given the benefits of their presence as key contacts, at least in terms of relational outcomes. This study suggests concrete managerial guidelines based on the proposed model and its constituents, in order to help client managers to enhance their customer orientation, to inspire commitment in their clients and to promote mutuality of goals, thus contributing to improve the quality of the relationships with their counterparts in firms.

### **1.7 Thesis Organisation**

This chapter has presented a brief overview of the background to the study in light of the relevance of the topic, research problem and research objectives, and a concise description of the process of model development and testing along with the potential contributions of the investigation. The next two chapters review relevant conceptual and empirical research that constitutes the theoretical background to the study, as well as the support for the proposed model. Chapter 2 contains a review of the literature on RM, the specific field in which this dissertation is positioned, while Chapter 3 concentrates on the central construct in this study, RQ. In this literature review, gaps in the RM literature

were identified, which demonstrate the need for more detailed examination of certain important issues, namely regarding the nature of RQ and its potential determinants and dimensions. Consequently to what has been discussed in the foregoing literature chapters, Chapter 4 reports on the exploratory, qualitative component of the study, which contains the development of the conceptual framework and the research hypotheses that drive this investigation. To this end, a combination of literature with the results of a series of in-depth interviews with representatives of hotels and their corporate clients was used to identify the potential key constructs of RQ as well as their connections in the model. Chapter 5 then outlines the methodology of the study, including a discussion on the major research philosophy's traditions and this work's philosophical stance, research design, along with data collection issues. The next two chapters detail the estimation of the proposed model, which was tested through SEM from a competing models approach, and following the two-step approach recommended by Anderson and Gerbing (1988). Chapter 6 is concerned with the assessment of the measurement part of the model, including dimensionality, reliability and validity tests. Analysis and the results of the estimation of the structural model are presented in Chapter 7. The last chapter of the present dissertation, Chapter 8, discusses the results of the investigation with a particular emphasis on implications for marketing researchers and managers, and finalises with a discussion on the study's limitations and suggestions for future research.

## CHAPTER 2 –RELATIONSHIP MARKETING

### 2.1 - Introduction

Relationship marketing (RM) entered the 21<sup>st</sup> century as one of the dominant themes in the marketing literature. A sign of the importance conquered by RM is the growing rate of papers published on the subject in top journals – e.g. Journal of Marketing (Stewart 2002). As the new millennium unfolds, RM continues to consolidate its prominence in both business practice and academic research (Hunt et al. 2006; Palmatier et al. 2006).

It has been argued that marketing, although originated from a goods-based, transactional model of exchange perspective, seems to have evolved, especially in the last two decades, to a service-, customer-centric, and relational view of marketing (Vargo and Lusch 2004). As this dissertation has at its core the quality of business relationships, it is important to comprehend the origins, development, and current discussions on RM. The purpose of this chapter is, therefore, to revisit the roots and history of RM, to report on the current debates in the area, and to set the basis for subsequent discussions throughout this dissertation, with reference to the research objectives defined in the previous chapter.

The following section provides a review of the origins and evolution of RM. The chapter then moves on to a brief discussion on the theoretical foundations of RM, followed by a debate on the various RM definitions which finalises with the presentation of the definition adopted in this study. Then, a discussion on the benefits, goals, and issues related to the implementation of a relational strategy is presented. The chapter ends with a synthesis of the themes that are the focus of debate in the RM area, in light of the goals proposed for this study.

### 2.2 Relationship Marketing – Origins and Evolution

Probably the first time the expression 'relationship marketing' appeared on the marketing scene was when Leonard Berry presented a paper at the AMA - American Marketing Association's Services Marketing Conference in 1983, entitled 'Relationship Marketing' (Berry 1983; Berry 2002). The publication of Berry's (1983) paper, the first specific academic work in the area of relationship marketing, seems to have started a new era of marketing. Berry (2002, p. 71) explains that he had no pretensions to 'start a new field of inquiry', not least because other writers, including himself, had already written about 'the

importance of retaining customers'. The intention was simply to call the attention of marketing researchers and practitioners to the incongruity of focusing so much on attracting new customers and neglecting the 'common sense' idea – and yet 'relationship marketing's central idea' – of concentrating on retaining existing customers so that they become better and more loyal (Berry 2002, p. 71). Though Berry (1983) intended merely to urge academics and businessmen to work for a more balanced marketing effort between attracting and retaining customers, the consequences were quite surprising, including to himself (Berry 2002). Indeed, what happened in reality, at least as perceived by many scholars working in what in the meantime would become known as the RM area, was the start of a movement advocating a switch from a transactional to a relational approach, which many authors consider a paradigm change in marketing (Aijo 1996; Palmer 2002; Sheth and Parvatiyar 2002).

According to the literature, theories and conceptualisations of RM have been typically studied with reference, or in opposition to the theory and practice of traditional (also referred to as transactional) marketing (Aijo 1996; Buttle 1996; Coviello and Brodie 1998; Coviello et al. 2002; Grönroos 1994; Gummesson 2002; Palmatier et al. 2006; Pels et al. 2000; Sheth and Parvatiyar 2002). Therefore, in order to better comprehend the history and evolution of RM, the following provides a brief overview of the history and evolution of the marketing discipline in general.

The formal study of marketing started approximately a century ago and inherited a model of exchange from economics, which was based on the exchange of tangible resources, mainly manufactured output (Vargo and Lusch 2004). For the first fifty years, early marketing thought was mainly descriptive and focused on commodities exchange, the role of institutions in value-embedding process, and the functions that marketers perform (Vargo and Lusch 2004). In the beginning of the 1950s, the first marketing theoreticians, using concepts and tools derived from microeconomics, such as price theory and econometric techniques, started to create lists of variables in an attempt to define (what was later known as) a marketing mix for optimising firm performance (Lovelock 1996; Vargo and Lusch 2004). The concept of marketing mix was introduced by Neil Borden in 1954 and included twelve variables: product, price, branding, distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding, and analysis (Harker and Egan 2006). According to the version of Lovelock (1996), Borden heard one of his colleagues at the Harvard Business School saying that what marketers do is to mix ingredients. O'Malley and

Patterson (1998, p. 43) provide a more detailed version and state that 'Borden created the *marketing mix* based on the earlier ideas of Culliton (1948) who envisaged the marketer as a mixer of ingredients' [emphasis in original]. Based on this idea, Borden developed the concept of marketing mix. It has been suggested, namely by authors connoted with the relational perspective of marketing, that the marketing mix was developed specifically for tangible goods, allegedly because in those days practically no attention was paid to marketing services, and it was assumed that consumers were relatively passive, homogeneous and abundant in business-to-consumer (B2C) markets (Harker and Egan 2006). Of Borden's long list of variables, four are dominant: the 4Ps, a reconstruction of the initial 12 variables, constituting the conceptual core of the marketing mix management approach, presented by McCarthy in 1960 (Grönroos 1994). The marketing mix approach, benefiting from the simplicity of its 4Ps, rapidly became the dominant logic in marketing theory and practice that would prevail for almost two decades (Vargo and Lusch 2004).

However, in the mid 1970s, different dominant logics for marketing began to emerge. These new streams of thought that view marketing as a continuous social and economic process are characterised by new frames of reference that are independent from both the marketing mix and the microeconomic paradigms (Grönroos 1994; Vargo and Lusch 2004). By the end of the 1980s there was already a consolidated awareness among marketers that profits come from the level of customer satisfaction rather than units sold (Kohli and Jaworski 1990). These new perspectives evolved further and eventually resulted in the emergence of a service-centred view of marketing, which coincided with the rise of RM. This can be seen as a sign of the identification between the two phenomena, not least because both movements share common driving forces. Examples of these driving forces are the opposition to the idea of portraying the seller as the sole active party manipulating a passive customer within a homogeneous market context, and the prevalence of the services sector in the business environment. This, in turn, shifts the emphasis from customer attraction only to establishing, enhancing, and terminating relationships with partners (Harker and Egan 2006; Hunt et al. 2006). Indeed, in its first hundred years of history, marketing thought evolved from a goods-centred to a service-centred dominant logic, which is inherently customer oriented and relational (Vargo and Lusch 2004). It should be noted that the association between the service-centred dominant logic and the relational view of marketing is in line with the compatibility between Vargo and Lusch's (2004) and Grönroos' (2000) definitions of services. Vargo and Lusch (2004, p. 2) define services as 'the

application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself' and state that this definition is consistent with the definition by Grönroos (2000). Grönroos (2000, p. 46) defines services from a relational perspective, in the context of services marketing:

'A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems'.

In effect, it was in the area of service marketing that the circumstances that formed the basis for the emergence of RM became most evident (Aijo 1996; Buttle 1996). Marketers started to realise that 'the customer is an integral part of the marketing and delivery process which necessitates a close relationship between the service provider and the customer' (Aijo 1996, p. 8). This is because services are intangible and, as a rule, their production, delivery and consumption are simultaneous, implying close relationships between buyers and sellers, an implication that traditional marketing seems to have not considered (Aijo 1996). It is argued that one of the major changes that contributed to render the marketing mix and the microeconomic paradigms obsolete is the growing importance of the services sector in both GNP<sup>1</sup> and employment<sup>2</sup> of developed nations (Gümmesson 1991), and the fact that modern economies are predominantly service-based (Gümmesson 2002). In the words of Donaldson et al. (2001, p. 33): 'Salespeople are selling service and solutions not products and boxes'. Or, as Vargo and Lusch (2004, p. 10) put it, 'all economies are services economies'. These views seem to be in large part identified with the opposition to the alleged anachronistic, traditional separation between goods and services, as illustrated by the following remarks by Gümmesson (1995, pp. 250-251):

'Customers do not buy goods or services; they buy offerings which render services which create value (...). It is not a matter of redefining services and seeing them from a customer perspective; activities render services, things render services. The shift in focus to services is a shift from the means and the producer perspective to the utilization and the customer perspective'.

Implicit in the foregoing discussion is the idea that the history of marketing theory and practice has been marked by different dominant streams of thought in different periods of time. If marketing management was the dominant logic between the 1950s and the 1970s, since the 1980s marketing is seen as a social

<sup>1</sup> Approximately 70% of the Portuguese GNP (INE – Instituto Nacional de Estatística, 2003) and 73% of the British GNP (ONS - Office for National Statistics, 2006), for example.

<sup>2</sup> Nearly 60% of the population employed in Portugal (INE 2003). This percentage tends to be higher in other developed countries. For example, Cronin and Taylor (1992) mention that the population employed in the U.S. service sector increased from 30% in 1900 to 74% in 1984, and suggest that this sector continues to grow very rapidly, as evidenced by the fact that 85% of the new jobs created since 1982 pertain to the service sector. Another example is the UK: Based on data provided by the ONS ([www.statistics.gov.uk](http://www.statistics.gov.uk)) the percentage of employee jobs in services is around 75%.

and economic process, in which value is 'defined and co-created with the consumer rather than embedded in the output' as in marketing management (Vargo and Lusch 2004, p. 6). As described above, although originated from a goods-based, transactional model of exchange perspective, marketing seems to have evolved, especially in the last two decades, to a relational dominant logic or paradigm. However, previous studies conducted within the CMP (contemporary marketing practices) research program suggest that both transactional and relational elements coexist in current marketing practices (Brodie et al. 1997; Coviello et al. 2002; Coviello et al. 2006), in line with Day's (2004) commentary that the transition to a service-centred, relational dominant logic is still in its early stages. Nevertheless, several authors maintain that the marketing paradigm is shifting from transactions to relationships, as detailed later in this chapter. To quote Vargo and Lusch (2004, p. 12), for example: 'Over the past 50 years, marketing has been transitioning from a product and production focus to a customer focus and, more recently, from a transaction focus to a relationship focus'. Moreover, the new prevailing perspective in marketing today seems to be built upon three dominant characteristics: a service-centric view, a customer-centric focus, and a relational focus. These three pillars of the alleged new marketing paradigm seem to be inexorably linked, as Vargo and Lusch (2004, p. 12) observe:

'Because a service-centered view is participatory and dynamic, service provision is maximized through an interactive learning process on the part of both the enterprise and the consumer. The view necessarily assumes the existence of emergent relationships (...) [and] is inherently both consumer-centric and relational'.

This service-, customer-centric, and relational view of marketing emerges from the idea of doing things for, in collaboration with, and alongside the customer. Interestingly, these views of buyer-seller relationships, that constitute the hallmarks of RM, 'can be traced back several centuries', as the writers and historians of Victorian England reported, when they described 'activities which amount to modern day relationship marketing' (Palmer 2002, p. 80). Indeed, anecdotes that show that the notion of RM is much older than the marketing discipline itself are included, for example, in Hauser and Clausing (1988, p. 64) and Grönroos (2000, pp. 26-27). It has also been suggested that the challenge of RM is to replicate in large organisations the 'informed and flexible relationships that have been at the heart of many small businesses' practices' (Palmer and Bejou 2005, p. 10). However, RM has achieved the status of an emerging paradigm only during the last twenty years (Palmer 2002; Vargo and Lusch 2004). According to Gummesson (1998a), the most important contributions for this pre-eminence of RM as a paradigm are the services marketing research and the IMP Group's interaction/network approach to



industrial marketing. The next section elaborates further on the role of these two streams of thoughts.

### **2.2.1 The Relevant Contributions of the IMP Group and the Nordic School**

When addressing the topic of RM it is fundamental to refer to the pioneering work of a group of researchers that formed the IMP (Industrial/International Marketing and Purchasing) Group in the North of Europe in 1976. Even though it has been suggested by IMP members that their work should not be viewed as directly connoted with the RM area, or, more specifically, with some tactical forms of RM such as Customer Relationship Management (CRM) (Ford and Hakanson 2006), the fact is that the IMP stream of research played a relevant role in the rise of RM. Indeed, although the expression 'relationship marketing' was coined by Berry (1983) in the area of services marketing and first used in the area of industrial marketing by Jackson (1985), its roots can also be found in the work of the IMP Group. The first large scale work of the IMP Group, published in 1982, is a comparative study at the European level, in the area of industrial marketing. It introduced the interaction approach, calling the attention of researchers and managers to the interaction that is established between active buyers and suppliers within long lasting business relationships. The numerous investigations that followed focused on the study of business relationships and the networks within which they seem to be integrated, giving birth to what is known as the network approach (Ford et al. 1998).

The stream of thought started by the IMP Group influenced the scientific work in the marketing area in many countries, from the United States of America to Japan or Australia, and has been strengthened by several publications, originated from a range of countries. One of the most visible consequences of the IMP Group's work was the rejection of the traditional, i.e., transactional way of thinking about marketing strategy (Naudé and Holland 1996). This traditional perspective lies upon the mere use of variables - the known Ps, whether they are 4 or more, depending on each version of the marketing mix. The work by the IMP Group critiqued this view as being incompatible with the current reality of markets and the way buyers and suppliers relate to each other. Indeed, they demonstrated that there is no such thing as one side dictating the rules and the other parties assuming a passive and reactive attitude. All parties are *active* and take the initiative in the relationship. What really exists is an *interaction* between one partner *and* the other partner, instead of behaviours of one *or* the other (Ford 1980; Ford and Hakanson 2006). Moreover, the work by the IMP Group stressed that marketing strategies must consider the establishment of long-term

relationships where partners work for mutual benefits. Indeed, the so-called network theory, developed largely through the work of the IMP Group, highlights several characteristics of business-to-business (B2B) exchange behaviour that are not compatible with the transactional marketing paradigm. For example, it portrays both buyer and seller as active and mutually dependent partners, able to take the initiative in exchange, and suggests that markets are heterogeneous rather than homogeneous, which requires a marketing focus on managing the firm's relationships (which includes establishing, developing, and terminating relationships) rather than optimising the marketing mix (Ford and Hakanson 2006). One of the most important contributions of the IMP Group is the IMP Interaction Model, a model of organisational buyer behaviour, according to which marketing relationships are built over time through the accumulation of short-term interaction episodes that link buyer and seller and involve product, financial, information, and social exchange, giving rise to relational benefits and costs (Crosby 1989). This model recognises and emphasises the importance of buyer-seller interaction and represents an important reference for investigations carried out in this marketing area (McKechnie 1992).

In parallel with the industrial marketing area, the services marketing area also represents a very important contribution for the development of RM. One of the most important contributions was that of the so-called Nordic School, which was also born in the North of Europe, in the 1970s. Its research interests share the same *raison d'être* as the IMP Group, i.e. that relationships should be managed and developed, but are focused on services marketing, where its contribution is internationally recognised, as well as in some adjacent areas such as service management and service quality (Grönroos 2000; Gummesson 1998b).

Though, as mentioned, the expression 'relationship marketing' was introduced in the services literature by Berry (1983) – a representative of the 'North American School', known for being the first author of a specific publication in this area - it builds on concepts developed by the Nordic School, such as: long-term interactive relationships, marketing through networks, interactive marketing (Gummesson 1996). The Nordic School in the area of services marketing, and the IMP Group in the area of industrial marketing, are the main precursors of RM.

The rich contribution of the Nordic School to the scientific thought in the area of services marketing, which partly influences the profile of the present study, can be characterised by the following main guidelines (Gummesson 1998b): gradual

shift from focus on goods to focus on services, and from focus on services to focus on value; combination of the marketing function with the other functions and the global management; more theory generating than theory testing type of investigation, thus a more inductive than deductive type of investigation; and a simultaneously empirical, theoretical and holistic kind of scientific thought.

According to Aijo (1996), the Nordic School of Services strived to extrapolate RM principles to general marketing and stands as one of the main advocates of RM as the new marketing paradigm. Opinions diverge among authors in the marketing area and nowadays there is a vivid discussion about whether RM constitutes a new paradigm in marketing, capable of replacing the traditional marketing mix paradigm. The next section reports on this debate and discusses the various perspectives on this subject.

### ***2.2.2 Are We Facing a Shift in Marketing Paradigm?***

As implied earlier in this chapter, the well known marketing mix - Product, Price, Place, and Promotion - has been considered the marketing paradigm for almost half a century. However, also as mentioned, the concept of marketing mix has been increasingly challenged for more than two decades now, due to the recognition of the value of long-term relationships, the importance of consumer retention and profitability, and the active and more demanding attitude of consumers, in contrast to a 'stimulus-response' type of passive attitude. In addition, the transactional paradigm is regarded not even as a customer-orientated approach, but a mere product orientated perspective (Grönroos 1994; Harker and Egan 2006). The 4Ps shortcomings relate not only to the marketing of tangible goods, but mainly to services marketing, where there have been several attempts to complete the marketing mix, often by adding more Ps<sup>3</sup>. Therefore, since the beginning of the 1980s it has been suggested that there are clear signs of the rise of a new marketing paradigm, more focused in the relational aspects than in the transactional way of doing business (Palmer 2002; Sheth and Parvatiyar 2002; Sheth and Parvatiyar 1995; Vargo and Lusch 2004).

One of the advocates of this alleged change in the marketing paradigm is Grönroos (1994), an author connoted with the Nordic School of Services, who suggests that the marketing mix is not able to fulfil the purposes of the marketing concept. According to Grönroos (1994) the 4Ps are not compatible

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<sup>3</sup> There are many versions of the marketing mix, where the added variables start with a P. This has been criticised (e.g. Grönroos 1994; Harker and Egan 2006), and sometimes ridiculed: '...it is not improbable that words such as propaganda, panacea or even plankton could be added to the list assuming some vague meaning could be attributed to them.' (O'Malley and Patterson 2002, p. 46).

with the notion that the success of an organisation depends on conceiving and focusing its activities on the needs and wants of the targeted segments. Grönroos (1994) is amongst those who defend a change in the marketing paradigm by using the already mentioned argument that there are, since the 1960s, alternative theories to the marketing mix - and points out some of them, namely the interaction/network approach and the services marketing perspective. Indeed, and following the perspective suggested by the IMP Group, the interaction/network approach describes the different interactions (which are not necessarily of the supplier's initiative) taking place among all the partners of a given network (customers, suppliers, banks, amongst other stakeholders). These interactions result in exchanges (social, financial, of data, of goods and services, etc.) and mutual adaptations that can last for a long period of time.

According to Grönroos (1994), marketing from the perspective of building and managing relationships, i.e., from a relational perspective, includes the necessary elements for the development of a general marketing theory, in which this author also recognises that there is a role to be performed by the traditional and transactional marketing mix. Indeed, although it has been argued that the marketing mix is no longer useful and that a new paradigm is required for marketing (e.g. O'Malley and Patterson 1998), this new, 'one-size-fits-all' paradigm is yet to be found. (In fact, like the marketing mix, RM is not adequate for all situations, as discussed in more detail later in this section). This is probably why some researchers also argue for a pragmatic, complementary rather than competitive association between the transactional and the relational approaches (Aijo 1996; Brodie et al. 1997; Coviello et al. 2002). It has been argued that this view is motivated by real-world practices, in which marketing practices are pluralistic, reflecting a paradigm that accommodates both transactional and relational approaches in a complementary manner, in order to correspond to buyers seeking both types of exchange (Brodie et al. forthcoming; Coviello et al. 2002; Coviello et al. 1997; Pels et al. 2000). In effect, evidence from day-to-day managerial practices suggested that managers combine both approaches to deal with the variety of challenges presented by each particular situation (Brodie et al. 1997; Coviello et al. 2002). In the early 1990s, Grönroos (1991), himself, developed the 'marketing strategy continuum', where sellers should place themselves according to the type of situation. The marketing strategy continuum contains two opposite poles, 'transactional marketing' and 'relational marketing', and a series of categories of situations in between, for example, consumer packaged goods leaning more towards the transactional end, and services leaning more towards the relational end. Grönroos (1991, p. 11)

goes on to suggest that 'for some situations or (...) types of customers, a one-deal-at-a-time approach may be a good strategy'. In effect, sometimes, the same company would use both approaches. For example, in the hotel industry, a mainly transactional approach could be used for individual customers, whereas a predominantly relational approach could be employed for the corporate segment. As another example, Lindgreen (2001) uses the case of the wine industry to argue that it makes sense to use RM for high quality wines, investing in a more personalised service and in managing an intended long-term relationship with a potentially more profitable segment, and transactional marketing in the case of low quality wines. Regarding specifically small firms (which represent more than 90 percent of firms in most economies) in the service sector, Coviello et al. (2006) corroborate the coexistence of both transactional and relational marketing strategies and activities.

#### *2.2.2.1 Could the Relational Approach be Effective in All Markets?*

The relational aspect of marketing seems to play a role of particular relevance in B2B services, due to the specific characteristics of services. Previous studies on current marketing practices found some support for service firms in B2B markets being predominately relational and goods firms in B2C markets more transactional (Brodie et al. forthcoming; Coviello and Brodie 2001; Coviello and Brodie 1998; Coviello et al. 2002). In effect, services have specific characteristics (intangibility, inseparability, heterogeneity, perishability) and cannot be addressed using methods conceived in a context where mass marketing was predominant and practically no attention was paid to services, like the 4Ps marketing mix, for example. Moreover, contrary to B2C markets, where consumers are typically available in great numbers, in B2B markets 'customer-firms are often limited in numbers' (Harker and Egan 2006, p. 221). The limitation of the number of clients may also be induced by firms, according to Grönroos's (2000) RM definition, which includes the possibility of terminating relationships (for a detailed discussion on RM definitions, see section 2.4). Indeed, not only satisfied customers often defect (Naudé and Buttle 2000), but also dissatisfied customers may remain loyal, which seems to be consistent with the idea that loyal customers are not always profitable (Reinartz and Kumar 2003; Reinartz and Kumar 2000; Reinartz et al. 2005). This is probably why there are more and more authors advocating a paradigm shift towards a relational approach of marketing, especially in the area of services marketing, where interpersonal interactions between buyers and sellers play a crucial role in managing business relationships. Services in areas such as banking, insurance, health, or hospitality (Buttle 1996), to name but a few examples, are highly

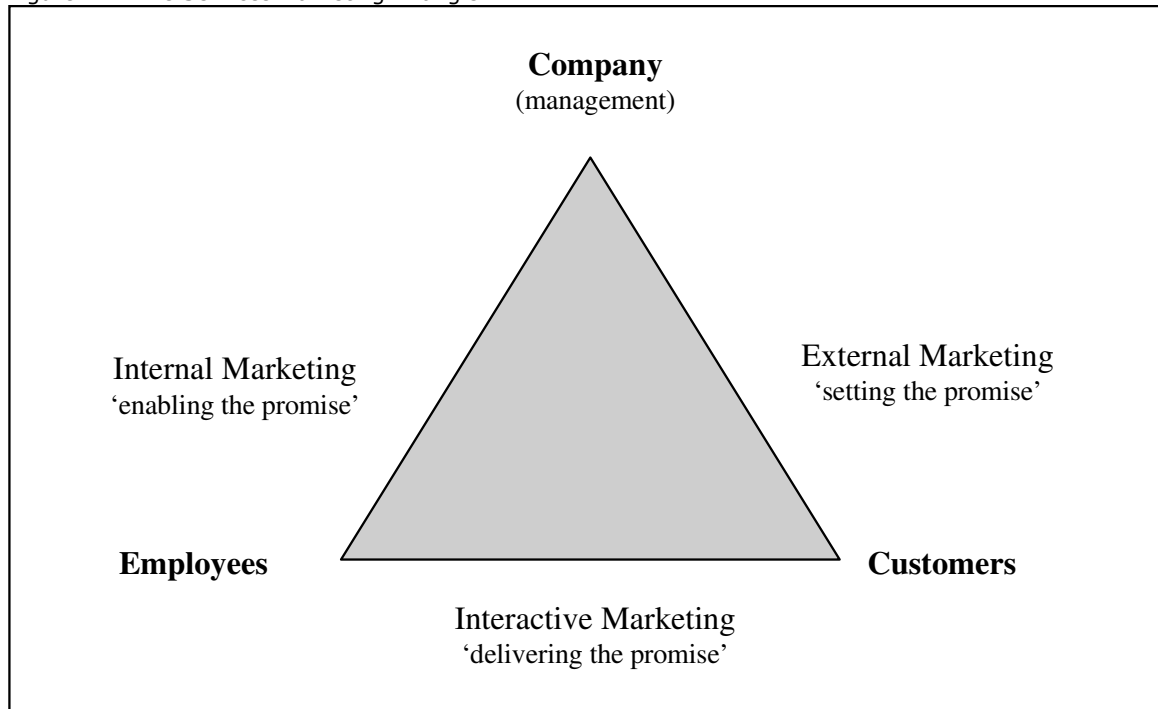
representative of this situation, given the wide opportunity for personal contacts, particularly in the cases where there is a designated relationship manager interacting with the correspondent key contact in the corporate client.

In the context of services marketing, it is possible to identify three dimensions (see, for example, Kotler 1991, p. 460), working together and in a complementary way towards the goal of success of marketing strategies in service organisations:

- External Marketing, a traditional marketing approach, dealing with issues like market segmentation, the 4Ps, the design and the implementation of the service;
- Interactive Marketing, responsible for managing expectations, for the participation of the consumer in the service deliver process, for perceived quality, for the management of moments of truth, for the management of the relationship, which is intended to be long and profitable;
- Internal Marketing, responsible for the definition of the organisation's mission and goals and for ensuring that human resources are managed accordingly to the accomplishment of the proposed goals.

In services, all three dimensions are essential and should work in harmony, just like a triangle does not exist without one of the sides or one of the vertexes (see figure 2.1).

Figure 2.1: The Services Marketing Triangle.



Source: Zeithaml and Bitner (1996, p. 23).

This idea is compatible with the possibility of coexistence of several paradigms in marketing theory, where 'relationship marketing will be one of them' (Grönroos 1994, p. 15). Nevertheless, Grönroos (1994, p. 14) proposes RM as the marketing paradigm, representing the general theory of marketing, in which 'the notion of the marketing mix (...) becomes one facet'.

It may be argued that RM corresponds to the interactive dimension of marketing and interacts with the other dimensions. However, there seems to be some controversy around this issue. As stated, the CMP Group (e.g. Coviello et al. 2002) considers that transactional and relational marketing are not separate paradigms, rather they both belong to the multiple complex processes of marketing practice. These authors include database marketing, interaction marketing (concerned with face-to-face interpersonal interactions between key individuals in organisations) and network marketing under the label of the relational perspective of marketing. As implied earlier in this chapter, the CMP Program also seem to corroborate the idea that, as a rule, consumer and goods firms tend to adopt a more transactional approach to their markets than B2B and service organisations do. However, they argue that this rule has many exceptions because current marketing practices seem to suggest that firms can be grouped evenly into those adopting relational, transactional, and mixed perspectives of marketing, suggesting that 'marketing practices are pluralistic

and managerial practice has not shifted from transactional to relational approaches *per se* (Coviello et al. 2002, p. 33).

In effect, taking the hotel sector as an example, though RM is appropriate for certain types of consumers, like, for example, corporate clients, it cannot be used as a strategy in all segments. For instance, in the case of people travelling for leisure motivations, most likely to choose a different destination every year, it is probably not appropriate nor effective to use RM as a main strategy, but rather an approach at the level of the hotel (chain) brand and/or CRM. Indeed, many authors argue that RM is conceptually different from tactical forms of marketing – also referred to as ‘subtle changes in language’ (Palmer 2002, p. 80) and predominantly transactional in nature, like ‘Loyalty Marketing’ and ‘Customer Relationship Marketing’ (Harker and Egan 2006, p. 227). RM emphasises the characteristic of voluntary participation, contrary to some enforced forms of maintaining interactions with consumers (Bendapudi and Berry 1997; Ganesan 1994; Roberts et al. 2003; Tzokas and Saren 1997). This in line with the perspective of O'Malley and Tynan (2000, p. 810), according to which RM in consumer markets is ‘more rhetoric than reality’ and that RM should be confined to ‘deal only with those situations involving a high degree of interpersonal interaction’ (O'Malley and Tynan 1999b, p. 598). In effect, the number of customers and prospects is high and many remain anonymous and unfamiliar to firms because it is not possible to establish relationships with all of them (Crosby 1989; Donaldson et al. 2001). O'Malley and Tynan (2000) are amongst the authors that suggest that RM is conceptually different from tactical forms of marketing, like transactional marketing and database marketing (here clearly diverging from Coviello et al. 2002, although, in the meantime, the CMP classification has included database marketing in the transactional perspective), because RM emphasises long-term interaction and the formation of social bonds. In addition, Palmatier et al. (2006) in their meta-analysis confirmed that RM is more effective in those situations where buyers perceive relationships as being more critical (e.g., service offerings, channel exchanges, and business markets). The same authors also suggest that ‘strategies focused on building interpersonal relationships between boundary spanners (e.g. dedicated salesperson, social entertaining)’ may be more effective than those ‘focused on building customer-firm relationships (e.g., team selling, frequency-driven loyalty programs)’ (Palmatier et al. 2006, p. 151). Indeed, RM has been considered more suitable to B2B markets than to B2C markets (O'Malley and Tynan 2000; O'Malley and Tynan 1999b; Pressey and Mathews 2000). This is not only because RM theory was predominantly developed in a B2B context, but mainly due to the decisive



role of interpersonal links and social bonds established between key individuals in the organisations involved in long-term partnerships (Gümmesson 1994; Pressey and Mathews 2000; Wilson 1995), as well as the repeat purchasing associated with the ongoing nature of a close interaction (Crosby 1989). This view is particularly compatible with the context of this dissertation, for relationship quality in this study is addressed in a service setting and in an inter-organisational exchange environment where the interaction between buyer and seller is highly interpersonal, as described and justified in detail in the next chapter. This research setting, in turn, offers a possibility for the delimitation of the domain of RM, claimed to be one of the areas researchers should focus on, in order to contribute to the consolidation of RM as a discipline (Sheth and Parvatiyar 2002). Indeed, if RM emphasises long-term relationships and person-to-person interaction (Gümmesson 1987; O'Malley and Tynan 2000), we should expect it to be particularly effective in dealing with the specific characteristics of services such as intangibility, simultaneity, and heterogeneity, and especially appropriate for B2B markets, where clients are relatively less abundant.

Marketing has to recognise the value of relationships established among the various partners, which should be considered by organisations as real assets that can be used for achieving competitive advantage and maximised for profit (Hunt et al. 2006), like any other asset, in short or long-term, according to each particular situation. 'Relationships are perhaps the primary assets of companies', in the words of Ford and Hakanson (2006, p. 250). Marketers seem to acknowledge this new reality. A sign of this recognition is, for example, the fact that the 1985 AMA's definition of marketing as

'the process of planning and execution of the conception, price definition, promotion and distribution of ideas, goods and services, towards the creation of exchanges that satisfy individual and organisational goals'

was reformulated in 2004. This definition reflected the traditional trend of marketing theory, more orientated to the product and the transaction than to the consumer and the relationship. However, the present times are not compatible with this way of thinking marketing, given that consumers are increasingly demanding and autonomous in taking their buying decisions, which is not compatible with the 'stimulus-response' kind of marketing. The option is to maintain and develop long-term relationships, satisfactory to all partners, clearly recognising the value of the customer in the long run. The 2004 AMA's definition

of marketing<sup>4</sup> reflects an emphasis on both a relational and a service-focussed view of marketing:

'Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customer relationships in ways that benefit the organization and its stakeholders'.

In this context, the remainder of this chapter presents brief discussion about the theoretical foundations and definition of RM, elaborates on the importance of a relational strategy, and concludes with a synthesis of the issues that are the focus of conversation in this area, this way establishing the link to the next steps in the thesis.

### **2.3 Theoretical Foundations of Relationship Marketing**

The relational approach to marketing builds on previous works in several disciplines that form the theoretical foundations of RM, such as organisational sciences, economics, law, social psychology and sociology (Eiriz and Wilson 2006).

The discipline of organisational sciences made an important contribution to the emergence of the RM area, particularly through a sub-discipline, resource dependence theory. The basic assumption of resource dependence theory is that inter-organisational relationships constitute the means to get access to resources that are perceived to be essential to the accomplishment of the organisation's goals (Eiriz and Wilson 2006). In addition, organisational sciences also played an important role by studying not-for-profit organisations and highlighting that relationships and networks tend to develop as social systems that co-ordinate resources and solve complex social problems (Araujo and Easton 1996). Economics, especially via the sub-discipline of transaction costs theory, made also a significant contribution by recognising that, despite the difficulty in identifying and quantifying transaction costs, one of the main factors impacting on the effectiveness of transactions and relationships between or within organisations is asset specificity, for example, idiosyncratic physical and human resources (Eiriz and Wilson 2006). Moreover, in an adjacent area, economic

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<sup>4</sup> A new revision definition of marketing has been recently proposed (but not yet approved): 'Following a newly adopted process by AMA in May 2006 for review and revision of AMA definitions, and after widespread solicitation and consideration of input and surveys of association members, an ad hoc sub-committee of the AMA Governance Committee submitted the following definition for consideration by the Board of Directors of AMA: 'Marketing is the activity, conducted by organizations and individuals, that operates through a set of institutions and processes for creating, communicating, delivering, and exchanging market offerings that have value for customers, clients, marketers, and society at large.' The proposed definition is under review with the Board of Directors of AMA and has not been finally accepted. As a result, the 2004 AMA definition continues to be AMA's official definition of marketing.' (<http://www.marketingpower.com/content2016396.php>).

sociology, Granovetter (1985) also played a relevant part by introducing the concept of embeddedness which explains that consumers derive utility simultaneously from attributes of the product and from social capital found in pre-existing ties between buyers and sellers. In relation to the contribution of the law area, Eiriz and Wilson (2006) argue that the paradigm shift in marketing from transactions to relationships is closely related to the relational contracting theory/taxonomy introduced by Macneil (1980). Sociology emerges as a major contributor to the evolution of RM, namely through social exchange theory (SET), particularly when combined with relational exchange theory (RET), as described in more detail in the next chapter.

SET has its origins in the context of social psychology and interpersonal relationships (Eiriz and Wilson 2006). SET is based on marital theory, bargaining theory, and power theory (Dwyer et al. 1987). A dominant feature of SET is the marriage analogy, in which relationships that develop in business environments are explicitly compared with those of a marriage (Dwyer et al. 1987; Levitt 1983; Perrien and Ricard 1995). Although the marriage metaphor has been criticised for not being able to explain the development of marketing relationships (Tynan 1997), it contributes to a better understanding of the cognitive processes through which people perceive social interactions and relationships. The importance attributed to interactions in SET inspired the development of the IMP interaction approach, which sees marketing as an interactive process developing in a social context where relationship management is crucial, and describes how partners in a relationship adapt to one another through a series of exchange episodes in search for mutual benefits (Grönroos 1994; Wilson 1995). According to Fischer and Bristor (1994) SET explains social relationships on the basis of each party's motivational investment and anticipated social benefit. The general goal of parties is to obtain benefits that would not be possible to attain outside the relationship, which include non-economic benefits and altruistic rewards related to the increase of their partner's utility (Weitz and Jap 1995). From a complementary perspective, RET, first proposed by Macneil (1980), explains how specific, relational norms influence the governance of inter-organisational relationships. RET acknowledges that business practice is based on the management of a portfolio of various relationship types, which, in turn, develop through different combinations of central variables such as commitment and trust, and that relationships are two-way. Therefore, firms are not able to attain their goals via individual or autonomous organisational forms (Van de Ven and Ferry 1980). It has been suggested that, according to exchange theories originating from both SET and

RET, relational-based exchanges are more effective than transactional-based exchanges 'because of their ability to adapt to new conditions and to increase confidence in partners' future actions, which support risk-taking and reciprocity-based behaviors' (Palmatier et al. 2007, p. 178).

RM, a research area with its roots in ancient practices, might not be at its maturity stage yet, but its body of work has certainly reached adulthood already, and definitely conquered the status of a theoretical basis on its own. Indeed, the absorption of all the above mentioned contributions, rather than constituting an amalgamation of fragmented inputs, helped to turn RM into a rich, multidisciplinary, and dynamic domain, with its own individuality. In coherence with the phenomena at hand, and taking the foregoing into consideration, the underlying theoretical approach to this study is multidisciplinary, with emphasis on social and relational exchange theories, and embodied by RM.

## 2.4 How to Define Relationship Marketing?

Several definitions, from different perspectives, have been suggested for RM. Almost a decade ago, Harker (1999) compiled more than twenty RM definitions. This section revisits some of the definitions suggested for RM and ends with the definition adopted in this study.

For Gümnesson (1998b, p. 10), the main relationship in marketing is typified by the dyad<sup>5</sup> 'consumer-supplier' and RM is 'marketing seen as relationships, networks and interaction'. In the specific area of services, where RM seems to find its most appropriate milieu for success, RM has been defined as 'attracting, maintaining and - in multi-services organisations - enhancing customer relationships' (Berry 1983, p. 25) or, simply, 'attracting, developing and retaining customer relations' (Berry and Parasuraman 1991, p. 3). From the perspective of industrial/B2B marketing, and in parallel with the service area of research, RM has been defined as 'all activities by the firm to build, maintain and develop customer relations' (Hammarkvist, Hakansson and Matsson, 1982, p. 10, cited in Gümnesson 1987, p. 12), as 'marketing oriented toward strong, lasting relationships with individual accounts' (Jackson 1985, p. 2) or as 'a customer-centred approach whereby a firm seeks long-term business relations with prospective and existing customers' (Evans and Laskin 1994, p. 440). In the context of the 'Commitment-Trust Theory of Relationship Marketing', Morgan and

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<sup>5</sup> The terms 'dyad', 'dyadic', 'dyadic approach' and 'dyadic relationships' are used in this study in the context of interpersonal relationships between key boundary-spanning individuals, and appear in this thesis in the broad sense of primary relations, an expression used specifically by Macneil (1980) to refer to the relationship between two individuals.

Hunt (1994, p.22), propose a definition that tries to include all possible forms of relational exchanges, and not only those having the customer as one of the parties of the relationship<sup>6</sup>: 'Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges'.

The relatively high degree of similarity of definitions is perhaps worth mentioning. Indeed, although using different combinations of words, all the above mentioned RM definitions seem to corroborate the importance of establishing, maintaining and enhancing relationships in business environments. That there is no consensual definition for RM is one of the weaknesses that has been attributed to this area (Lindgreen 2001; Sheth and Parvatiyar 2002). Nevertheless, given the similarity of the RM definitions proposed in the literature, this does not seem to represent a major problem, as acknowledged in the literature as well. In the words of Aijo (1996, p. 15, quoted in Hunt et al. 2006, p. 73), 'there is a growing consensus on the definition of RM as involving the following aspects: a close long-term relationship between various (network) participants involved in exchanging something of value (total market process)'. Moreover, in some cases, the way RM was defined seems to constitute at the same time an attempt to consolidate the alleged shift in the marketing paradigm. However, some RM definitions integrating both transactional and relational perspectives have been also suggested. For example, for Grönroos (2000, p. 26) the purpose of marketing is to:

'identify and establish, maintain and enhance, and when necessary terminate relationships with customers (and other parties) so that the objectives regarding economic and other variables of all parties are met. This is achieved through a mutual exchange and fulfilment of promises.'

This definition by Grönroos (2000) is one of the best-known definitions of RM (Harker 1999; Hunt et al. 2006) and implicitly provides the basis for subsequent discussions throughout this thesis, for it offers a broad perspective which can accommodate a variety of views in the specific nature of relationships.

## 2.5 The Importance of a Relational Strategy

Today, business environments are characterised by a number of factors that may explain why organisations are under increasing competitive pressure and cannot depend exclusively on winning new customers to compensate the loss of

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<sup>6</sup> In the opinion of Morgan and Hunt (1994) RM applies not only to situations where the customer is part of the relationship, but also to the most diversified situations, such as strategic alliances between competitors, partnerships between firms and state-owned organisations, internal marketing, among many others. Thus, in RM there are no such things as buyers, sellers, or clients, but just relationship partners.

customers. Examples of these factors include an increasing competition at a global level, more knowledgeable and demanding clients with changing needs and preferences, more fragmentation of markets, shortening of product life cycles, technology developments, and price wars (Buttle 1996; Mouzas and Naudé 2007). These factors, together with a generally high level of product quality that can be uniform across competitors, thereby forcing companies to find alternative sources of competitive advantage, and a trend for firms in advanced economies to be services oriented and niche oriented, have also contributed to the rise of RM (Buttle 1996; Hunt et al. 2006). This seems to be particularly true in businesses going through a maturity stage, where the transactional approach to marketing relationships may be insufficient to deal with the new reality of markets, given the difficulties regarding market penetration (Ennew and Hartley 1996). The limited opportunities for market penetration might be particularly critical in certain segments, like, for example, the corporate segment, given that the number customer-firms is often limited (Harker and Egan 2006). It is true that organisations should focus on attracting customers. However, if retention and profitability of relationships are not considered, organisations run the risk of wasting many resources. By focusing on winning new customers, firms take some measures, such as promotions or price cuts. Some customers take advantage of that, often in a mere opportunistic way – ‘faking’ loyalty, in response to ‘fake’ commitment (O'Malley and Tynan 1999a). However, these short-term measures do not lead to repeat business and do not contribute to consolidate relationships that are satisfactory for all parties. Conversely, it is argued that by adopting a relational business approach and viewing long-term relationships as assets to be maximised for profit, like any other asset, organisations are able to get to know customers better with time, in order to effectively satisfy their needs and expectations, in a profitable way (Ford et al. 1998; Ford and Hakanson 2006). In addition to this, it has been also argued that a marketing strategy based on enduring relationships cannot be imitated, thus providing for a ‘unique and sustained competitive advantage’ (Buttle 1996, p.1) and, ‘thereby, superior financial performance’ (Hunt et al. 2006, p. 76).

### **2.5.1 - The Benefits of a Relational Strategy**

Firms adopt a RM strategy probably because once a relationship is established, all intervening partners benefit (Hunt et al. 2006). In fact, with time, as links between partners increase, through products/services, buyer and seller become more important to each other. These links, which initially are not more than predominantly transactional interactions, lead to personal relationships, activity

links and resource ties (Ford et al. 1998), which transcend mere products/services buying and selling. This relational interaction produces certain benefits, intangible yet not negligible, for both parties. Examples of benefits for the buyer range from a higher opportunity for customisation and, thus, for better satisfaction of needs and preferences (Hunt et al. 2006), to a greater effectiveness in decision making (Sheth and Parvatiyar 1995), and the reduction of the perceived risks related to future purchases (Crosby 1989; Ennew and Hartley 1996; Hunt et al. 2006). In this context, the relationship 'becomes instrumental in goal achievement' (Bagozzi 1995, p.273). The customer will stay in the relationship as long as its perception is that there is more value received than it would be in another relationship with a different provider (Crosby 1989; Hunt et al. 2006). Besides specific benefits, inherent to the value received through the service delivered, relationships that last provide safety to the customer. With time and with the development of the relationship, parties build a mutual trust atmosphere, while simultaneously the customer relies on a consistent level of service offered by the service provider (Buttle 1996; Hunt et al. 2006). Therefore, when the service provider knows the customer and its references, and adjusts its services in order to satisfy the customer's needs, the customer chooses to maintain the relationship, for changing implies costs, monetary or not (for example, the time needed for the parties to get to know each other). This is particularly true when both the investment made in the relationship and the commitment to the relationship are high (Hunt et al. 2006).

Benefits arising from the establishment of long-term relationships are substantial for the service provider as well. According to Hunt et al. (2006, p. 83), firms enter into relationships when managers perceive that relational exchanges increase competitiveness, that is, when relationships become relational resources capable of improving the 'firm's market place position and, in turn, its financial performance'. Although in terms of revenue there is a growth tendency (Reinartz and Kumar 2003), care must be taken to avoid an overly simplistic view of the association between customer retention and profitability. Previous empirical work suggests that in some cases loyal customers are not profitable (Reinartz and Kumar 2000) and that maximising customer profitability requires balancing acquisition and retention resources (Reinartz et al. 2005). Nevertheless, it has been shown that customers tend to increase purchases in a certain provider, as much as both parties get to know each other and the level of satisfaction with the relationship increases (Reichheld and Sasser 1990; Reinartz and Kumar 2003). As far as costs are concerned, there is a declining tendency with time, namely in certain costs associated with winning customers (for

example, advertising, promotion prices, setting up accounts, time to get to know the customer, among other costs) (Reinartz et al. 2005). Often these costs exceed the return that a given customer can provide in the short-term. Therefore, it makes sense to maintain the relationship, at least until the point where investment is recovered, and ideally, until reaching the profit zone. Maintenance costs are likely to drop as well, as parties progress in the learning curve. Indeed, and particularly in services, it is in the beginning of relationships that customers pose the majority of problems because they are learning to use the service (Zeithaml and Bitner 1996). From a certain point on the customer becomes a real co-producer of the service - it is inseparability, also referred to as simultaneity, one of the specific characteristics of services. As long as the service provider keeps the same level in satisfying customer's expectations, the relationship will imply progressively lower costs (Zeithaml and Bitner 1996). For example, and using the terminology of Payne (1994), if a client is pleased with the relationship and is already on the top of the relationship ladder - and, therefore, has already become a partner - provides the firm with positive, and, probably, more effective word-of-mouth endorsements, thus reducing costs associated with attracting new business. In addition, the company would obtain a deeper knowledge on the client, which constitutes a competitive advantage when deciding whether to increase the business involvement with the client. Moreover, customer retention seems to contribute to employee retention. People enjoy working in success organisations, that is, firms whose customers are satisfied (Hall 1995). They feel happier with their jobs and because of that they become more loyal to the employers, which, in turn, results in improved service quality and in a better quality of the relationships with customers (Zeithaml and Bitner 1996).

### **2.5.2 - The Goal is Performance Maximisation**

RM is not a goal in itself; rather it is a strategy intended to contribute to attain the goals of the organisation. There are also tactics that help the accomplishment of strategic goals. For example, a tactic may be the creation of the position of relationship manager, with a proactive attitude in the interaction with clients. Moreover, the so-called frequent user/loyalty cards (distributed by petrol stations, airlines, hotel chains, among others) and CRM are examples of techniques or tactics aiming at customer retention. CRM is also mentioned here as an example to illustrate the importance of technology based relationship tactics, not only in those cases where close relationships may not produce benefits for certain customers and, thus, a technological investment on the part of the seller may be worthwhile, but also for collecting and analysing data



purposes (see, for example, Marshak 2000). However, RM cannot be reduced to 'stimulus-response' schemes, such as frequent user cards, nor is it a narrow concept like the one reflected by the concept of CRM. The above mentioned techniques are tools that can be utilised within a RM strategy. However, care must be taken because, as Tzokas and Saren (2004) alert, although RM emphasises close interaction, some of the technologies associated with RM may create distance between buyer and seller. Indeed, it has been argued that the percentage of firms that increased profitability as a result of the introduction of CRM is relatively small, and that many consumers share the view that CRM is an unsuccessful tactic (Henneberg 2005; Palmer and Bejou 2005). Therefore, in a RM strategy care must be taken to ensure that the techniques and tactics used are the most adequate and in accordance to the goals to be attained. Nevertheless, as mentioned earlier in this thesis, RM is characterised by three essential pillars, reflected by the following keywords (Gümnesson 1987): **long-term** (relationships need time to develop and maintain), **interactive** (bilateral and multilateral supplier-customer interactions to produce and deliver goods and services, mainly in a person-to-person communication), and **relationships** (marketing can be seen as the management of relationships within a network).

It is necessary to always bear in mind that the success of relationships is not an end in itself, but rather a means to accomplish the main goal: performance maximisation. RM is claimed to be an effective way to attain that goal, for two kinds of reasons (Buttle 1996): On the one hand, it is more expensive to attract than to retain customers – at least 5 times more, according to some literature (Crosby 1989; Rosenberg and Czepiel 1984). This argument supports the focus of RM more on keeping than on winning customers. On the other hand, the longer the relationship, the higher will be the sales and profits per customer (Reichheld and Sasser 1990). The rationale behind this idea is that with an increase in satisfaction, the customer will increase the number of purchases, and the more the customer buys the organisations' goods and services, the more it progresses in the experience curve, becoming more effective, consequently bringing less costs and more profits. In addition, the more the customer is pleased with its relationship, the greater will be the likelihood of recommending its service provider to other potential customers.

It is also necessary to be aware of damages caused by the loss of a profitable customer. Even if it is not possible to calculate exactly the lifetime value of a customer, it is crucial to have at least an estimate on the value of a long-term relationship. One way of doing it is to measure the influence of customer

retention on profits. A study on different kinds of services, by Reichheld and Sasser (1990), indicates that a 5% increase in retention rate determines a 25% to 85% increase in profits. Another way of doing it is to multiply the average spending of a customer in one period for the number of periods the relationship is expected to last. Obviously this method suffers from some limitations like, for example, the uncertainty about the longevity of the relationship, the regularity of the customers' spending (which depends on the regularity of the service delivered) and, above all, the difficulty of calculating the costs associated to the maintenance of relationships. In fact, the predominance of intangible elements in services makes it difficult to identify the costs associated to service deliver. In order to do it, the process must be broken into its inherent activities and, based on these smaller pieces, to calculate the costs (see Carú and Cugini 1999). This procedure is indispensable, along with the calculation of revenues, in order to assess the profitability associated with long-term relationships, that is, with customer retention.

The link between quality, customer retention, and profitability has long been accepted (Heskett et al. 1994; Heskett et al. 1997; Payne 1994; Rust et al. 1994). Quality results from the comparison of the consumers' expectations with the consumers' perceptions at the moment of the consumption of the service. Services are inherently relational (Grönroos 2000). Nevertheless, organisations may adopt transactional marketing strategies when it is justifiable and for certain targeted segments. However, in services, there is the possibility of developing relationships with clients, provided that these strategies are based on proper market segmentation (Hughes et al. 2004). In order for relationships to last and be profitable, i.e., if customers are to be profitably retained, organisations have to offer excellence in service deliver and strive for good quality relationships with their partners, on a consistent basis. Good value, as perceived by the consumer, has a positive impact on loyalty, which, in turn, enhances the contribution of customers for profit, via reduction of relationship costs and opportunities for premium prices (Grönroos 2000). However, as stated, this rationale must be viewed with caution, for some argue that retained customers are not always profitable (Reinartz and Kumar 2000), and this is probably why the definition of RM by Grönroos (2000) includes the possibility of terminating relationships. It is argued that relationships should be viewed as resources that should be treated as any other kind of resources, tangible or intangible (Ford et al. 1998; Hunt et al. 2006; Mouzas and Naudé 2007). In this context, firms should pay special attention to the quality of the relationships with their partners, considered in the literature as the result of RM efforts, an

indicator of relational performance (Bejou et al. 1996; Hennig-Thurau 2000; Ivens 2004; Palmatier et al. 2006). Taking into consideration that resources are heterogeneous across firms and imperfectly mobile - thus, each firm's resource set is to some extent unique - differences in resource sets will explain differences in performance (Hunt et al. 2006).

### ***2.5.3 - Implementing a Relational Strategy***

For the past decade or more, we have been witnessing a change in attitude towards a relational approach to markets in certain businesses. Services in the area of telecommunications, insurance or hospitality, to give but a few examples, created the function of commercial promoter, and/or corporate centres, where account managers work. These relationship managers adopt a proactive attitude in approaching the customer, instead of initiating the relationship only when the customer enters the facilities of the company. The goal is to contribute to an effective management of relationships with the most profitable customers. This replicates what has been done for more than two decades when banks introduced the function of relationship manager and created the corporate centres (see, for example, Vieira 2001). Banks are among the first businesses that have recognised that customers are willing to invest in a long-term relationship with a seller, if the latter demonstrates a reciprocal commitment to the relationship, for example by designating a personal banker (Crosby 1989). The main goal of these approaches to relational strategies is to build a portfolio of loyal customers and to make it grow consistently over time, at a profit, in line with the philosophy of RM, which is more focused on retaining than on attracting customers (Evans and Laskin 1994; Gummesson 1998b). In addition, this reflects the seller's recognition that when a service provider establishes a relationship with a customer, it becomes easier to understand the customer's needs and wants, to adapt the offer accordingly, and to develop the right marketing strategies to satisfy the market expectations (Levitt 1986). This is also in line with the idea that the relational perspective of marketing implies that relationship managers should evolve from a selling approach to a counselling approach, from talking and pushing to listening and helping (Donaldson et al. 2001; Tzokas et al. 2001).

Ford (1980), in the area of industrial marketing, when explaining the nature of interactions between buyers and sellers, suggests that firms participate in relationships with other firms in order to obtain benefits, associated with increases in revenue and/or cost reduction. Relationships also imply an increase in the interfunctional dependence between partners and are often seen as a

means to earn competitive advantages in the market (Spekman and Johnston 1986). According to Morgan and Hunt (1994) RM is carried out through mutual exchanges of promises and its reciprocal fulfilment. Hotels, insurance companies, and banks, for example, make promises about their offering, namely through relationship managers and corporate centres; clients promise commitment and loyalty to the relationship. Relationships last as long as promises are kept in the moments of truth, that is, when buyers actually experience the service. However, relationships have their negative implications as well. Customers may be losing better alternatives by remaining loyal and committed to a certain relationship (Han et al. 1993). Moreover, customers may not want to lose the benefits associated to a relationship with a certain provider, even if the change to another provider would mean, for example, cost reduction (Ford et al. 1998). On the other hand, if one of the partners represents a big portion of the other partner's business, there may be a situation of a quite unbalanced dependency.

Nevertheless, relationships are indeed important for both practitioners and researchers. According to a model suggested by Ford (1980), the process of developing relationships between buyers and sellers is influenced by: i) the partners experience; ii) the extent to which the participation in the relationship diminishes uncertainty; iii) the strengthening of both real and perceived commitment to the relationship; iv) the adaptations to each other; and v) the investments and savings associated to the relationship. These factors characterise, at each moment and with variable intensity, the different phases of the relationship development process. In another model, proposed by Dwyer et al. (1987), relationships between buyer and seller are treated as transactions in a continuous basis, rather than mere discrete events. The model assumes that the establishment of relationships is a process composed of five phases (interest, exploitation, expansion, commitment, and dissolution) in which mutual dependency increases with the development of the relationship and decreases when approaching dissolution. More recently, Tzokas and Saren (2004) also suggested that relationships develop over time and through the several phases of the relationship life cycle (introduction, experimentation, identification, and continuous renewal or dissolution). The core element of these models is the acknowledgement that relationships demand efforts to be built and maintained and that some factors are more important in certain moments and less important in other stages of the relationship. Thus, it is crucial to identify in what phase the relationship is in, in order to effectively concentrate efforts to maintain and develop it.

In this context, there are some critical success factors to be observed by organisations that decide to implement a RM strategy, such as (Buttle 1996; Day 2003; Day 2000; Grönroos 2000; Hunt et al. 2006):

- An organisational culture that supports the relational perspective of doing business, for example, thinking in terms of relationship managers instead of salespeople;
- Regarding the adjustment of the organisational culture and *modus operandi* to the new business cycles resulting from the establishment of long-term relationships, internal marketing plays a fundamental role, for instance, in training - namely for those employees dealing 'face-to-face' with external customers - in compensation and motivation policies, which must be based both on relationship and profitability measures (such as retention rates and account penetration, among others);
- A dynamic and permanently updated understanding of buyer expectations (in this regard, sophisticated customer databases can complement the role of relationship managers in developing and monitoring RM strategy and tactics).

The focus on the crucial role of dedicated salespersons/designated relationship managers and on training and compensation policies based upon relationship and profitability measures is coherent with the new streams of thought that view marketing as a continuous social and economic process in which value is co-created with the consumer (Tzokas and Saren 1997; Vargo and Lusch 2004). It is also consistent with the suggestion that rich interpersonal interaction is directly associated with the creation of unique knowledge, which, in turn, constitutes one of the pillars of competitive advantage (Tzokas and Saren 2004). According to Mouzas and Naudé (2007) the notion of gaining competitive advantage via unique knowledge can be extrapolated to the network of relationships in which the organisation is embedded in. This can be achieved through 'network insight', which includes the firm's 'unique knowledge about the niche it occupies in the network', which, in turn, constitutes 'a differential knowledge that contributes actively to the process of creating a differential advantage' (Mouzas and Naudé 2007, p. 64). If knowledge is a fundamental basis for competitive advantage (Day 2004; Vargo and Lusch 2004) and a significant part of it 'resides within the individuals involved in relationship management' (Hunt et al. 2006, p. 79), there are at least two major implications. At the micro level, the good quality of the dyadic relationship involving the representatives of each party is one of the essential requirements for the creation of value for both parties, that is, the perceived rewards that serve as the *raison d'être* for exchanges (Pardo et al. 2006; Tzokas and Saren

2004). This issue is the main concern of the present study. The other main implication is that, in order to gain competitive advantage at the macro level, a company must be able to achieve high levels of relationship quality in all dyads composing its network of relationships.

## 2.6 Conclusion

Building on a description of the origins and evolution of RM, the research area for this project, this chapter reports on the current debates in the area, with reference to the potential contribution of this study for the next steps identified as necessary in RM. RM, although grounded on principles that hark back many centuries, emerged as a prominent domain in marketing in the last two decades. As argued by many authors, RM exhibits the potential to become a consolidated discipline. However, many challenges have still to be overcome in order for RM to evolve into an established discipline in marketing science. This chapter addressed the issues that are the focus of discussion in this area, such as the delimitation of the domain of RM, the definition of RM, and the importance of a relational strategy.

As far as the delimitation of the domain of RM is concerned, and in line with previous research, the premise in this study is that RM is more effective and should be confined to those situations where relationships are more critical to buyers, and where there is a high degree of interpersonal interaction. Accordingly, and as explained in more detail in the next chapter, the research setting for this study is characterised by B2B service long-term exchanges with a significant component of person-to-person interactions, carried out by the representatives of the partners participating in the relationship. Consistently, this study adopts Grönroos's (1994; 2000) definition of RM, which views marketing as the process of not only establishing and developing, but also terminating relationships when necessary, in order to satisfy the goals of all partners through mutual exchange and the fulfilment of promises.

The chapter also explained why buyers and sellers increasingly acknowledge the crucial importance of RM as a strategy. Marketing scholars coincide in this recognition of the unassailable role of the relational view of marketing. To quote Vargo and Lusch (2004, p. 15), for example:

'... times have changed. The focus is shifting away from tangibles and toward intangibles, such as skills, information, and knowledge, and toward interactivity and ongoing relationships. The orientation has shifted from the producer to the consumer. The academic focus is shifting from the thing exchanged to one on the process of exchange'.

Probably because in the past firms invested more in 'impersonal' relationships, taking advantage of technological advances, even in B2B markets, there is little research on interpersonal relationships in firm-to-firm exchange environments (Bolton et al. 2003). However, researchers and practitioners are re-acknowledging the importance of person-to-person relationships in an attempt to 'be at the right place at the right time with the right customer contact and right knowledge' (Gümmesson 1998a, p. 243) and to mitigate the 'fake' commitment on the part of the seller and the 'fake' loyalty on the part of the buyer. This also corresponds to the recognition that the source of competitive advantage is closely related to the quality of long-term relationships between partners (Palmer 2002; Palmer and Bejou 1994).

In terms of next steps towards the consolidation of RM as a discipline in marketing science, we have reached a stage where theory needs to be converted into useful tools and guidelines for both practitioners and researchers (Sheth and Parvatiyar 2002). It is argued that the concept of relationship quality (RQ) has the potential to play a pivotal role in overcoming this challenge, as acknowledged in the literature. Indeed, it has been increasingly suggested that nowadays the real measure of performance is RQ, which constitutes a crucial differentiation factor (Palmer 2002; Peppers and Rogers 1995), capable of making the difference as a sustainable competitive advantage, as described in more detail in the next chapter. Indeed, assessing RQ is mentioned as an example of the trend to 'deepen and develop the concept of relationship marketing' (Aijo 1996, p. 11). Moreover, Palmatier et al. (2006, p. 149) recently found that 'objective performance is influenced most by relationship quality'.

Although the importance of RQ, a major concept in RM and the central construct in this study, has been repeatedly recognised, several issues remain unsolved, and this is why more research is needed on this construct. To offer more or less intricate relational programs or schemes without an understanding of what the quality of a relationship between a buyer and a seller is and is not might be counterproductive. Therefore, having looked at general RM, the next chapters address the issue of relationship quality from a 'back-to-the-basics', grass roots perspective, adopting an approach in line with previous suggestions that research in this area should begin with a small number of fundamental issues and then move on to integrate these into broader conceptions (Bagozzi 1995; Price and Arnould 1999).

## CHAPTER 3 - RELATIONSHIP QUALITY

### 3.1 Introduction

The previous chapter introduced the importance of long-term relationships between business partners, stressed the crucial role of relationship managers in the success of a relational strategy, and suggested relationship quality (RQ) as a potential tool to successfully implement relationship marketing (RM). Indeed, RQ, a concept presented to the community of marketing practitioners and researchers in the context of an Ericsson Quality program in 1985 by Evert Gummesson (Gummesson 1987; Gummesson 2002), has increasingly attracted the attention of researchers and practitioners to relationships as part of customer perceived quality (Grönroos 2000). In the last two decades, RQ became one of the pillars of RM (Gummesson 2002; Hennig-Thurau et al. 2001; Smith 1998), and today it is considered a crucial factor in developing successful business relationships (Palmatier et al. 2006; Rauyruen and Miller 2007; Woo and Ennew 2004). RQ is also the central construct in this study. Indeed, the delivery of high quality goods and services is increasingly claimed to be just a minimum requirement for competitiveness rather than being the source of superior performance, and it is the quality of the relationship with partners that seems to provide a basis for competitive advantage and business success (Palmer 2002; Peppers and Rogers 1995). Therefore, the purpose of this chapter is to report on the theoretical discussion about RQ, and empirical efforts to model RQ. To this end, after describing the nature of RQ as depicted in the literature, the chapter examines how previous studies have contributed to characterise the construct of RQ. Building on the foregoing discussions, the chapter then presents the definition of RQ adopted in this research, addresses the role of relationship managers in business-to-business (B2B) relationships, and reiterates the research goals. The chapter finalises with the delimitation of the research context for this thesis, and establishes the link between the theoretical and the empirical components of this project, with reference to this study's context and goals.

### 3.2 The Nature of Relationship Quality

As stated earlier, together with the introduction of the concept of RQ, Gummesson (1987) also presented the foundations upon which the RQ concept was born. As mentioned in the last chapter, the three pillars that characterise RM and delineate the emergence of the RQ concept are reflected by the following three keywords (Gummesson 1987): i) long-term, ii) interactive, and iii)



relationships. The following sections elaborate further on each of these founding characteristics, starting with the long-term perspective of RQ.

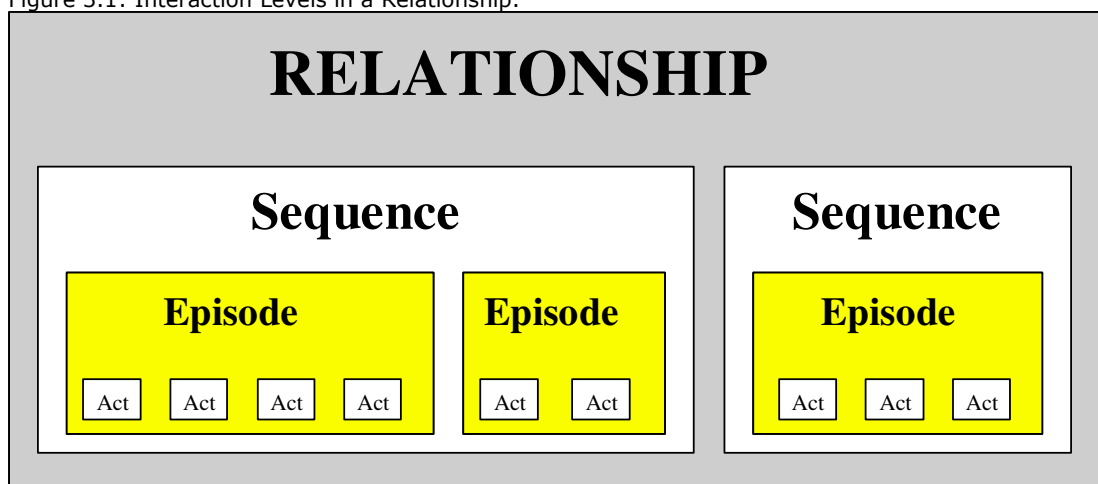
### **3.2.1 The Long-Term Perspective of RQ**

To better illustrate the long-term nature of RQ, it is useful to borrow Grönroos's (2000, p. 81) perspective, according to which 'relationship quality can be described as the dynamics of long-term quality formation, in ongoing customer relationships'. A relationship is formed by a sequence of episodes, which in turn, are constituted by acts (see figure 3.1). A sequence of episodes is, for example in the hotel business, the implementation, throughout the year, of what was agreed between the representatives of the corporate client and the hotel and sealed through an annual contract. Examples of episodes include negotiating the contract or dealing with a complaint. Signing the contract or answering the telephone, are examples of acts. It is perhaps reasonable to admit that if a particular corporate client signs a contract with the hotel only once, or uses the hotel services in a sporadic way, it is probably not adequate to say that it has a relationship with that hotel. Conversely, if a particular corporate client signs several and subsequent contracts with a certain hotel, or uses frequently the hotel services even without a contract, then we probably can say that it is developing a relationship with that particular hotel. To explain the dynamics of the formation of RQ in the long run, Grönroos (2000) compares it to service quality (SQ). Previous research brings support to the idea that the concepts of RQ and SQ are distinct, though related to each other (e.g. Keating et al. 2003; Roberts et al. 2003; Wong and Sohal 2002a). SQ researchers have suggested that SQ corresponds to a global assessment of quality, namely arguing that 'an accumulation of transaction-specific assessments leads to a global assessment' (Parasuraman et al. 1994, p. 112). However, this view seems to be, not only merely transactional, but also primarily associated to goods markets (in the sense of after-sale service) or retail and consumer services (Rauyruen and Miller 2007), and often conflicting with the notion of customer satisfaction (Parasuraman et al. 1994; Teas 1994). Grönroos (2000, p. 83) distinguishes the two concepts in the following terms:

'The more or less static models of perceived service quality describe how quality is perceived at the episode (or service encounter) level, and the measurement instruments that have been developed measure perceived quality on that level. From a dynamic perspective, quality is perceived at every level of the relationship framework, and thus accumulating to an overall perception of quality at any given point of time'.

This is consistent with Crosby et al. (1990, p. 68) who stated that 'service quality can be considered a necessary, but not sufficient, condition for relationship quality'.

Figure 3.1: Interaction Levels in a Relationship.



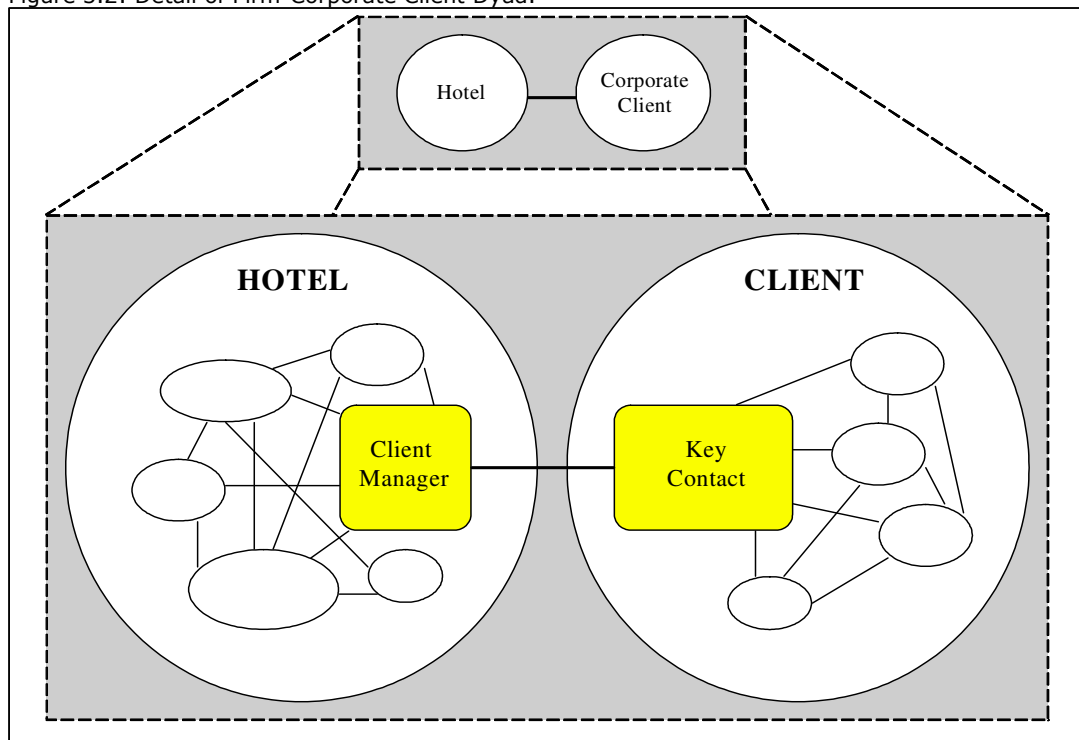
Source: Adapted from Grönroos (2000, p.83).

In the client's perspective, RQ is the on-going perception of quality (Grönroos 2000), resulting from continued interaction. Because a relationship includes at least two parties, this quality perception develops as well on the part of the supplier, who forms an impression on the quality of the client, as mutual exchanges go by. This two-way perspective is also regarded as a distinctive characteristic of RQ (Grönroos 2000). The next section elaborates on the interactive feature of RQ, the second keyword that underlies the emergence of the RQ concept.

### **3.2.2 Interactive Relationships**

In a dyad formed by two firms, RQ is perceived through an evaluation of interactions between key individuals, made by both parties (Holmlund 2001), suggesting that B2B relationships, despite occurring between organisations, have a significant personal element, thereby underlining the people-based nature of inter-organisational RQ. Figure 3.2 is a representation of the importance of interpersonal interactions within inter-organisational relationships, showing that although the institutional relationship is formally between firms, in reality most of the incidences of that interaction are channelled between key actors of both participants in the dyad.

Figure 3.2: Detail of Firm-Corporate Client Dyad.



Source: Author.

The interpersonal interactions between the representatives of firms integrating a dyad are frequently referred to as social bonds in the literature (e.g. Cann 1998; Holmlund 2001; Holmlund and Strandvik 1999; Walter et al. 2002; Wong and Sohal 2002a). Social bonds are defined as 'close personal relationships that exist between actors in partner organizations' (Naudé and Buttle 2000, p. 354). Social bonds emerge as a result of the interaction between the parties representing both the buyer and the seller firms and get stronger as the personal closeness between representatives develops (Cann 1998). It has been shown that a low turnover of vendor representatives contributes to the satisfaction of the buyer, because, when accustomed to a certain seller representative, clients are not comfortable with the idea of going through another period of adaptation to a different person, and not sure if the new relationship is going to work well (Cann 1998). Moreover, previous research on social bonding suggests that the stronger the personal relationship between buyer and seller, the higher the likelihood of future interaction (Wilson 1995). In addition, it has been argued that customers gain satisfaction from social reinforcement, i.e., the feeling that they are involved in socially approved behaviour (Crosby 1989). Furthermore, social bonds between both parties' representatives can be a significant determinant of loyalty and induce tolerant and forgiving ambience between parties, for example as a compensation for a service failure, particularly where there is differentiation among competitive service offers (Berry 1995; Bolton et al. 2003). This

tolerance environment seems to be potentially extended to the financial component of the business interaction as well (Tzokas et al. 2001). Moreover, the RQ literature, not only suggests RQ as a key differentiation factor and a vital organisational goal *per se*, viewed as a central condition for the success of a business partnership (which, as stated, justifies this study's approach on RQ and its determinants and dimensions only), but also contains several evidences/suggestions of the link between RQ and *business* performance indicators (e.g. Crosby et al 1990; Palmatier et al. 2006). As implied earlier, these RQ outcomes (which, as also mentioned, are out of the scope of the present thesis) range from predominantly qualitative/subjective outcomes such as anticipation of future interaction (e.g. Crosby et al 1990; Palmatier et al. 2006), loyalty (e.g. Hennig-Thurau et al. 2002; Rauyruen and Miller 2007), and good word-of-mouth (e.g. Huntley 2006; Palmatier et al. 2006), to more quantitative/objective outcomes such as repurchase (e.g. Hewet et al. 2002), share of business (e.g. Leuthesser 1997), and sales effectiveness (e.g. Crosby et al 1990; Huntley 2006). Indeed, the link between quality (and, particularly, satisfaction, conceptualised as one of the RQ dimensions in this study, as detailed later), customer retention, and profitability has long been accepted (Heskett et al. 1994; Heskett et al. 1997; Payne 1994; Rust et al. 1994). More recently, it has been suggested that good quality relationships with business partners are probably the most important of all firms' assets (Ford and Hakanson 2006), which can be used for achieving competitive advantage and maximised for profit (Hunt et al. 2006), because a marketing strategy based on good and enduring relationships cannot be imitated, thus providing for a 'unique and sustained competitive advantage' (Buttle 1996, p.1) and, 'thereby, superior financial performance' (Hunt et al. 2006, p. 76). RQ, viewed in the literature as the result of RM efforts, is an indicator of *relational* performance (Bejou et al. 1996; Hennig-Thurau 2000; Ivens 2004; Palmatier et al. 2006), and an indispensable resource for the success of a business partnership, important enough to justify this study's approach on RQ and its determinants and dimensions only. Given that resources are heterogeneous across firms and imperfectly mobile – and, therefore, each firm's resource set is to some extent unique – differences in resource sets will explain differences in performance (Hunt et al. 2006). The link between RQ and other performance indicators is, however, as explained earlier, out of the scope of the present research.

As already stated in this dissertation, social bonds play a crucial role as far the development the relationships between business parties is concerned (Berry 1995; Dwyer et al. 1987; Sheth 1994; Wilson 1995), and represent the level at

which the RQ model proposed in this study is developed. Gümnesson (2002, p.49) refers to face-to-face contact as 'human relationships (h-relationships)' and reinforces its crucial importance, stating that the high tech wave also contributes to enhance h-relationships: 'the more the tech, the more the need for touch'. Regarding the association between people and technology, Ennew (2003) argues that, in service delivery, there are basically two options, face-to-face or remote, the former being more associated with complexity and customisation, while the latter with simplicity, standardisation, and cost reduction. When choosing a particular service delivery channel, both buyers and sellers face, therefore, a trade-off between remote delivery, which is highly cost efficient, versus face-to-face delivery, which generates higher levels of customer satisfaction. It has also been suggested that technology is not a sufficient condition for competitive advantage and customer satisfaction (Day 2003). As Crosby (1989, p. 285) put it: 'Although product and technological advances will continue to be important to customer retention, their main application may be in helping contact personnel be more effective as relationship managers'. As a consequence, face-to-face interactivity, the 'personal touch', the 'familiar face', which is consensual as a key driver of customer satisfaction and repeat business, must always be considered when addressing the efficiency-effectiveness trade-off (Bolton et al. 2003; Cann 1998; Palmer 2002; Solomon et al. 1985). Indeed, in services marketing, personal interaction is said to be one of the important criteria used by customers to evaluate their own degree of satisfaction with the service provided and to decide whether or not to maintain business with a certain provider (Ennew and Binks 1998; Solomon et al. 1985). 'Relationships are maintained because of their personal bonds – because people like to do business with each other', to quote Walter et al. (2003, p. 162). In a B2B services marketing context, how the account representative, on behalf of the service provider, and the representative of the customer interact and bond is a decisive element in the success of a relationship between the buyer and the selling organisations (Bejou et al. 1998; Boles et al. 1997; Cann 1998). To quote Gümnesson (1987, p.12), 'personal relationships are more lasting than product or brand loyalties [and] more important than low prices, flashy promotions, or even advanced technology'.

The concept of RQ in a service setting includes both professional and social relations (Wong and Sohal 2002b). However, being 'social' is also being 'professional', or, in other words, since the social and the professional levels are closely connected, and may concern both the individual and the company levels (Holmlund 2001), improving the social level of the relationship also means to

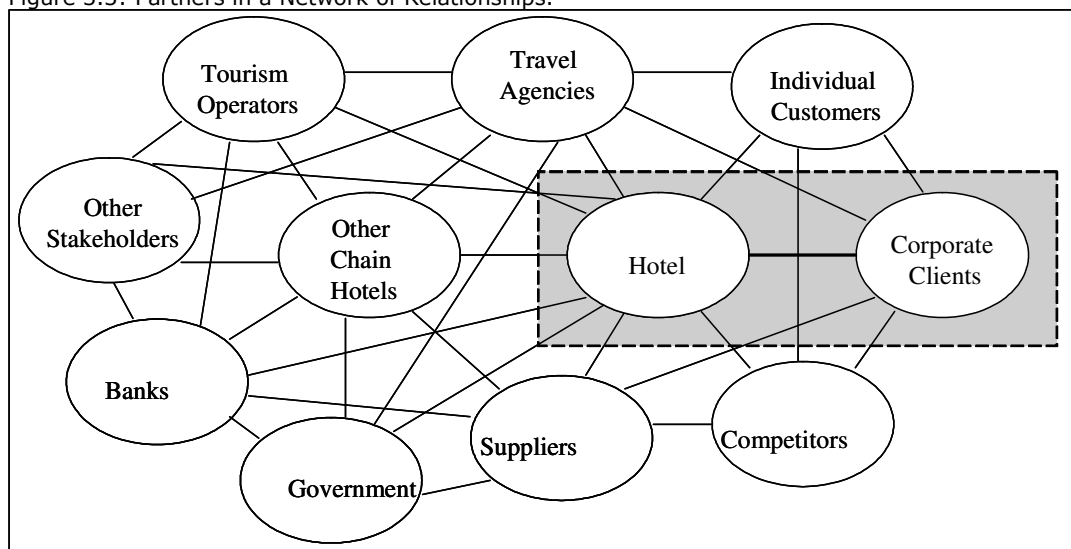
improve the professional level. As implied earlier, sometimes social bonds work as a mechanism for compensating deficiencies in other levels, e.g. complaints on the price or technical level of the product/service, thereby adding value to the technical component of the product/service (Bolton et al. 2003; Cann 1998; Holmlund 2001). In the words of Gummesson (1987, p. 19) 'functional quality – how a service is delivered – is balanced against the traditional technical quality of the service'. The development of person-to-person interactions emerges, therefore, as a significant value driver, by improving problem solving behaviour and communication, as well as contributing to a better understanding of each party's goals, in part given that key contact personnel from both sides are seen as important facilitators for conducting business (Ulaga and Eggert 2006b). What is more, implicit in the nature of social bonds is the characteristic of voluntary participation, in contrast to some enforced forms of maintaining relationships with buyers (Bendapudi and Berry 1997; Ganesan 1994; Roberts et al. 2003).

Furthermore, the quality of an interaction can be based on non-economic satisfaction, or, in other words, parties forming a certain dyad can regard a relationship as fulfilling and rewarding, even when it does not yield financial profit (Geyskens et al. 1999; Naudé and Buttle 2000). Therefore, social bonds, which are identified with the functional dimension of the product/service (see, for example, Huntley 2006) seem to be omnipresent in business relationships. In the words of Czepiel (1990, p. 304, quoted in Cann, 1998, p. 400), 'The three-Martini lunch does have a real purpose. Gaining a buyer's trust is a critical task in many marketplace settings... and establishing a social relationship parallel to the professional is a more 'natural' approach than a legal contract'. In addition, it has been suggested that informal face-to-face contacts originate up to two-thirds of information and operational knowledge (Harwood 2005; Palmer and Bejou 2005). Furthermore, as observed by Crosby (1989), according to the IMP model, information and social exchange facilitate product and financial exchange. Relationship marketers seem to be aware of this and capitalise on the fact that service encounters are also social encounters (Berry 1995; Price and Arnould 1999). The attention dedicated to relational aspects of business relationships is not exclusive of scholars and practitioners: specialised observers, e.g. entities that attribute quality awards, are increasingly including relational criteria as a basis for the evaluation of the organisations' quality management (Gummesson 2002). The next section adds the third keyword, relationships, as suggested by Gummesson (1987) to explain the emergence of the RQ concept.

### 3.2.3 Managing Relationships within a Network

According to many scholars, notably authors connoted with the Nordic School (e.g. Grönroos 2000; Holmlund and Tornroos 1997) and the IMP Group (e.g. Ford et al. 1998; Hakanson and Snehota 1997), marketing is seen as 'relationships, networks and interaction' (Gümmesson 1998b, p. 10). Gümmesson (1996) explains the incidences of this view of marketing in the 'theory of imaginary organisations', which was developed within the RM area. According to this theory, organisations are always a part of a network of relationships, which in turn is, in reality, a larger organisation. To belong to an imaginary organisation has several implications. For example, each partner can share resources of other partners, and what happens inside of each organisation is influenced by what happens in the interactions amongst all partners of the network. Figure 3.3 presents an illustration of this network of relationships, using the example of the hotel sector, with emphasis on the relationship between the hotel and its corporate clients, which is the specific service setting where RQ and its key constructs are examined in this study, as explained in more detail later in this chapter.

Figure 3.3: Partners in a Network of Relationships.



Source: Adapted from Gümnesson (1996).

One of the implications of viewing relationships within networks seems to be the context-specific nature of buyer-seller relationships (Holmlund and Tornroos 1997; Ulaga and Eggert 2006b). This network embeddedness<sup>1</sup> refers to the influence of the interactions of the parties of a dyad, as well as of the overall structure of the network of relationships, on social, economic, and other actions and outcomes. In the words of Holmlund and Tornroos (1997, p. 306),

<sup>1</sup> In the present dissertation, buyer-seller relationships' network embeddedness is referred to as 'network embeddedness', for both simplification reasons and not to be confused with Granovetter's (1985) notion of 'embeddedness', which is also mentioned in this chapter.

'relationships are embedded in a network and connected to other relationships in that particular network. Relationships are therefore highly context bound, i.e., their features are highly dependent on their particular setting'. Another implication of viewing relationships within networks seems to be that the effect of RM on performance is also context dependent (Leuthesser 1997; Palmatier et al. 2006). Previous research indicates that, in spite of the existence of constructs that are considered as building blocks of RM, such as trust and commitment (Lindgreen 2001; Morgan and Hunt 1994; Wilson 1995), their operationalisation and associations with other variables are contingent on the research context (Bansal et al. 2004; Palmatier et al. 2006; Sergeant and Frenkel 2000; Wilson 1995). Indeed, researchers have been systematically recognising and reporting RQ's context dependence, since this construct became the focus of attention in the RM area (Boles et al. 2000; Crosby et al. 1990; Hewett et al. 2002; Naudé and Buttle 2000; Palmatier et al. 2006; Rauyruen and Miller 2007; Walter et al. 2003; Woo and Ennew 2004).

Having discussed the nature of the RQ construct, the next section presents a description of its evolution since it appeared in the marketing literature, more than two decades ago, which will then provide the basis for the decision on the RQ definition adopted in the present study.

### **3.3 Shaping Relationship Quality - Towards a Definition**

Since the concept of RQ was introduced, a significant number of studies were produced and published on this topic, reflecting the importance attributed to RQ by researchers. Table 3.1 illustrates approximately twenty years of contributions to the characterisation of RQ.



Table 3.1: Summary of a Literature Review on Definitions and Key Constructs of Relationship Quality.

Authors	Relationship Quality Definition	Determinants	Dimensions	Context
(Dwyer and Oh 1987)	None. Relationship quality is reflected in the 'key facets' Satisfaction, Minimal opportunism, and Trust.	Participation, Formalization, Centralization, Munificence.	Satisfaction, Minimal opportunism, Trust.	Buyer-seller relationships in marketing channels.
(Crosby et al. 1990)	Higher-order construct composed of at least two dimensions: Trust in the salesperson, and Satisfaction with the salesperson's performance.	Similarity, Service domain expertise, Relational selling behaviour.	Trust in the salesperson, Satisfaction with the salesperson's performance.	Life insurance; Services people-based relationships.
(Lagace et al. 1991)	None.	The same as in Crosby et al. (1990) plus Ethical behaviour.	The same as in Crosby et al. (1990).	Relationships between physicians and pharmaceutical salespeople.
(Moorman et al. 1992)	The degree to which users view user-researcher interactions as productive.	Trust, Researcher involvement in research activities.	Single dimension of perceived quality of interaction.	Relationships between marketing researchers and various users.
(Palmer and Bejou 1994)	None.	Satisfaction, seller's trustworthiness, customer orientation, selling orientation, expertise, ethics.	The same as in Crosby et al. (1990).	Relationships between customers and intermediaries dealing in investment services.
(Storbacka et al. 1994)	Relationship quality as relationship strength in a relationship profitability model.	Service quality, Value, Sacrifice, Commitment, Satisfaction, Bonds.	Relationship strength as indicator of relationship quality.	Relationships between service providers and consumers.
(Wray et al. 1994)	None.	Ethics, Salesperson expertise, Relationship duration, Selling orientation, Customer orientation.	The same as in Crosby et al. (1990).	Financial services; Relationships between customers and the salesperson.
(Kempeners 1995)	None.	Relational, Personal, Organisational, and Environmental elements.	None.	Business-to-business relationships.
(Kumar et al. 1995b)	Higher-order concept encompassing five constructs: Conflict, Trust, Commitment, Willingness to invest in the relationship, and Expectation of continuity.	Distributive and Procedural fairness, Level of outcomes, Environmental uncertainty, Age of the relationship.	Conflict, Trust, Commitment, Willingness to invest in the relationship, Expectation of continuity.	Business-to-business relationships between large suppliers and small resellers.
(Bejou et al. 1996)	The same as in Crosby et al. (1990).	The same as in Wray et al. (1994).	The same as in Crosby et al. (1990).	The same as in Wray et al. (1994).
(Boles et al. 1997)	An evaluation of the personal and business ties linked to an interaction between a buyer and salesperson in a business setting.	None.	Single dimension and single-item measure of relationship quality.	Business-to-business relationships.
(Hennig-Thurau and Klee 1997)	The degree of appropriateness of a relationship to fulfil the needs of the customer associated with the relationship.	Customer satisfaction.	Product-related or service-related quality perception, Trust, and Commitment.	Relationships between consumers and firms.

Table 3.1: Summary of a Literature Review on Definitions and Key Constructs of Relationship Quality (continued).

Authors	Relationship Quality Definition	Determinants	Dimensions	Context
(Leuthesser 1997)	None.	Relational behaviours (initiating, signalling, disclosing, frequency, richness).	The same as in Crosby et al. (1990) (highly correlated, forming a unidimensional measure).	Relationships between industrial purchasing executives and various suppliers.
(Bejou et al. 1998)	None.	None.	Customer orientation, Ethics, Expertise, Length of relationship, Sales orientation, Satisfaction, and Trust.	Financial services; Relationships between customer and financial adviser.
(Dorsch et al. 1998)	Higher-order construct that encompasses six dimensions.	None.	Trust, Satisfaction, Commitment, Minimal opportunism, Customer orientation, and Ethical profile.	Business-to-business relationships between purchasing executives and vendors.
(Smith 1998)	Higher-order construct comprised of outcomes/dimensions that reflect the strength of the relationship and how it meets expectations.	Similarity, Relationship investment, Open communication, Relationalism, Relational management.	Trust, Satisfaction, and Commitment.	Relationships between industrial purchasing executives and suppliers.
(Boles et al. 2000)	None.	The same as in Crosby et al. (1990) plus Equity.	The same as in Crosby et al. (1990).	Telecommunications, business customers.
(Hennig-Thurau 2000)	The same as in Hennig-Thurau and Klee (1997).	Customer skills (skills attribution, skills level, skills specificity).	The same as in Hennig-Thurau and Klee (1997).	Relationships between customers and manufacturers
(Naudé and Buttler 2000)	Crosby et al. (1990)'s definition mentioned.	None.	Trust, Satisfaction, Coordination, Power, and Conflict.	Business-to-business relationships.
(Shamdasani and Balakrishnan 2000)	The same as in Smith (1998).	Contact personnel attributes, Physical environment, Customer environment.	The same as in Crosby et al. (1990).	Relationships between service providers and customers.
(Hennig-Thurau et al. 2001)	None. Relationship quality comprises five dimensions.	Integration (into both academic and social systems), Commitment (to non-university activities, job, family).	Trust in the institution's personnel, Commitment (to goals, and to the institution - both cognitive and emotional), Service quality.	Relationships between students (alumni) and universities.
(Holmlund 2001)	The joint cognitive evaluation of business interactions by key individuals in the dyad, comparatively with potential alternative interactions (working definition).	None.	Technical, Social, Economic.	Business-to-business relationships.
(Vieira 2001)	None.	Communication, Customer orientation, Client manager's knowledge, Perceived risk, Commitment, Common objectives, Contact frequency.	The same as in Crosby et al. (1990).	Business-to-business relationships between banks (via client managers) and small to medium enterprises.
(Hennig-Thurau et al. 2002)	None.	Relational (confidence, social, special treatment) benefits.	Commitment, Satisfaction with the service provider's performance, Trust.	Relationships between consumers and various service providers.

Table 3.1: Summary of a Literature Review on Definitions and Key Constructs of Relationship Quality (continued).

Authors	Relationship Quality Definition	Determinants	Dimensions	Context
(Hewett et al. 2002)	A buyer's level of trust in and commitment to a seller firm.	None.	Trust, commitment.	Industrial buyer's relationship with a particular seller.
(Parsons 2002)	None.	Handled risk, Relational selling behaviour, Domain expertise, Similarity/Shared Values, Commitment, Mutual goals, Relational benefits.	The same as in Crosby et al. (1990).	Relationships between purchasers and various types of suppliers, mostly industrial, at both individual and organizational levels.
(Wong and Sohal 2002b)	The same as in Crosby et al. (1990).	Trust, Commitment (both in both store and salesperson).	Single dimension and single-item measure of relationship quality.	Relationships between shoppers and large departmental store.
(Keating et al. 2003)	None.	None.	Trust, Effort, Value, Understanding, Communication, and Power.	Relationships between online retail consumers and providers.
(Roberts et al. 2003)	Higher-order construct made of several distinct, though related dimensions.	None.	Trust, Satisfaction, Commitment, and Affective Conflict.	Relationships between services providers and consumers.
(Walter et al. 2003)	Higher-order construct 'often' encompassing three distinct, though related dimensions of business relationships.	Direct (cost reduction, quality, volume, safeguard) and indirect (market, scout, innovation development, social support) functions of a supplier relationship.	Trust, Commitment, and Satisfaction.	Business-to-business relationships between clients and industrial suppliers.
(Ivens 2004b)	None.	Relationship styles (value oriented, laissez faire, economic, defensive).	Satisfaction (economic and social), Trust, Commitment.	Relationships between purchasing managers and their suppliers.
(Woo and Ennew 2004)	Higher-order construct comprising three dimensions.	None.	Cooperation, Adaptation, and Atmosphere.	Business-to-business professional services.
(Huntley 2006)	The degree to which buyers are satisfied over time with the overall partnership as manifested in product quality, service quality, value for money.	Goal Congruity, Commitment, Trust.	Technical, Social, Economic, Partnership, Time.	Relationships between firm and customer representatives for IT products and after-sale service.
(Ulaga and Eggert 2006a)	None. '[F]ocuses' on three 'key characteristics' of relationship quality: Commitment, Satisfaction, and Trust.	Relationship value.	Commitment, Satisfaction, Trust.	Relationships between manufacturing companies and purchasing managers.
(Ivens and Pardo 2007)	None.	Customer status: key account (KA) vs. non-key account (NKA).	Commitment, Satisfaction, Trust.	Business-to-business relationships in goods and services industries.
(Rauyruen and Miller 2007)	Relationship quality comprises four different but related dimensions.	None.	Commitment, satisfaction, trust, and service quality.	Business-to-business relationships in a services setting.

From the information displayed, it is possible to suggest several important issues characterising RQ. To begin with, as happens in relation to RM, there is no consensus on a definition, nor on a measure, of RQ (the alleged result of RM efforts), a characteristic widely referred in the literature (e.g. Dorsch et al. 1998; Palmatier et al. 2006; Sheth and Parvatiyar 2002; Walter et al. 2003). It seems to be very common to pay attention to definitions in any scientific area, so it is perhaps not surprising that researchers also suggest various definitions for RM and, more specifically RQ, in an attempt to contribute to the advancement of the field. It has been argued that this absence of consensus may be due in part to the various levels at which relationships seem to develop (e.g. Holmlund and Tornroos 1997; Walter et al. 2003) as well as the context-specific nature of RM (Boles et al. 2000; Palmatier et al. 2006; Walter et al. 2003; Woo and Ennew 2004).

For example, Crosby et al. (1990, p. 70), in their seminal study on RQ, conducted from a people-based perspective in the context of life insurance, do not provide a direct, conventional definition; instead, they view RQ as 'a higher-order construct (...) composed of at least two dimensions, trust in (...), and satisfaction with the salesperson'. The definition format used by Crosby et al. (1990), i.e. with RQ as a higher-order construct, has been in the meantime frequently replicated by authors modelling RQ, either implicitly or explicitly, sometimes including the same dimensions (e.g. Bejou et al. 1996; Boles et al. 2000; Lagace et al. 1991; Palmer and Bejou 1994) or not (Roberts et al. 2003; Walter et al. 2003; Woo and Ennew 2004), as illustrated in Table 3.1. In the context of relationships between marketing researchers and various users, Moorman et al. (1992, p. 316) provide a rather context specific definition of RQ: 'The degree to which users view user-researcher interactions as productive'. In a different context - relationships between firm and customer representatives for IT products and after-sale service - Huntley (2006) views RQ as the degree to which buyers are satisfied over time with the overall partnership as manifested in product quality, service quality, and value for money. Finally, in a context that can be seen as reflecting a people-based, inter-organisational approach to RQ, Holmlund (2001, p. 15) provides a working definition that views RQ as the joint cognitive evaluation of business interactions by key individuals in the dyad, comparatively with potential alternative interactions, which is consistent with Boles et al.'s (1997, p. 254) definition: 'an evaluation of the personal and business ties linked to an interaction between a buyer and salesperson in a business setting'.

It looks like authors have been using some flexibility and pragmatism in order to overcome the difficulties in addressing such a complex construct like RQ. This pragmatic problem-solving view seems to be regarded as a way to cope with the pressure to attain a consensual definition, which is understandably always present among scholars in a relatively new topic such as RQ. After all, if markets are heterogeneous (Harker and Egan 2006), and the competitive advantage of firms stems from dynamic capabilities (Vargo and Lusch 2004), why should approaches to RQ not be versatile and dynamic too? Of course the aim should be to reach a consensus on a definition. However, in the meantime and to quote Woo and Ennew (2004, p. 1256), 'in order to progress the conceptualisation of RQ, it is argued that we should accept a very general perspective on the meaning of the term, (...) and focus instead on identifying the constructs that create relationship quality'.

In order to apprehend how the RQ construct has evolved through its short history, which will eventually provide the basis for the decision on the RQ definition to be adopted in this study, it is also necessary to look at the different ways in which RQ has been modelled in the literature. In this regard, again, the literature suggests that the above mentioned RQ specificities seem to extend to the various approaches to modelling RQ. Previous models contain some constructs referred to as building blocks of RQ, e.g. commitment, satisfaction and trust (Crosby et al. 1990; Kempeners 1995; Parsons 2002; Rauyruen and Miller 2007; Smith 1998; Storbacka et al. 1994), and some additional constructs, such as communication (Keating et al. 2003; Smith 1998) and mutual goals (Huntley 2006; Parsons 2002), also identified with the concept of RQ, from a perspective of matching the solutions with the problem and its context. Depending on the context of each research, authors have also used, in a sporadic way, constructs that are not considered as RQ building blocks, but nevertheless seem to be useful from a pragmatic perspective, such as relationship length, contact intensity and client share, to give but a few examples. Relationship length, defined as the amount of time that the interaction between parties has existed (Bejou et al. 1998), sometimes also referred to as age of relationship (Kumar et al. 1995), or relationship duration (Bejou et al. 1996; Wray et al. 1994), has been associated with commitment (Palmatier et al. 2006), as well as with RQ, given the links between relationship length and trust and satisfaction (the dimensions of RQ, according to Crosby et al. 1990) proposed in the literature (Anderson and Weitz 1989; Donney and Cannon 1997; Dorsch et al. 1998; Smith 1998; Swan et al. 1985), and has

performed various functions in models, e.g., independent variable, mediator, and dimension of a latent variable. Contact intensity, sometimes also referred to as contact frequency (Vieira 2001), is defined as the frequency of contacts with the customer, face-to-face or indirectly (Crosby et al. 1990). It has been argued that contact intensity is associated, not only with RQ itself, but also with one of its dimensions, trust (Crosby et al. 1990; Leuthesser 1997). Client share (Peppers and Rogers 1995), or share of business (Leuthesser 1997), is defined as the percentage of business that a given supplier in a particular industry (e.g. a hotel chain) possesses, out of the total expenditure of a particular buyer (e.g. a hotel corporate client) in that industry, and has been used, for example, as an outcome of RQ (Leuthesser 1997). Indeed, RQ and its determinants and dimensions have been developed, operationalised, and tested empirically under a combination of various research settings, ranging from goods vs. services industries (of various kinds, in both goods and services) to B2B vs. business-to-consumer (B2C) relationships, as well as perspectives, e.g. the seller's perspective, the buyer's perspective, and the dyadic perspective.

As implied earlier, this diversity in research contexts corresponds to the different ways to approach RQ and its key constructs that have been proposed by researchers in this area, as recognised in the literature (e.g. Rauyruen and Miller 2007). In effect, context dependence seems to be also responsible for the lack of consensus on what determines RQ (Naudé and Buttle 2000), as well as on the associations between constructs in RQ models. For example, in the context of investment and financial services, both Palmer and Bejou (1994) and Wray et al. (1994) used the same dimensions of RQ as in Crosby et al. (1990) and included constructs such as ethics and expertise as determinants of RQ, probably due to the perceived complexity of investment and financial services. A quite context specific model was devised by Hennig-Thurau et al. (2001) in the context of relationships between students (alumni) and universities. Integration (into both academic and social systems) and commitment (to non-university activities, job, family) are included as determinants of RQ, whereas dimensions include trust in the institution's personnel, commitment (to goals, and to the institution - both cognitive and emotional), and service quality. One of the most frequent approaches to modelling RQ consists in including commitment, satisfaction, and trust as dimensions of RQ (Dorsch et al. 1998; Ivens 2004; Ivens and Pardo 2007; Rauyruen and Miller 2007; Roberts et al. 2003; Ulaga and Eggert 2006a). This perspective is going to be put to test, and compared to the model proposed in this study, during the alternative models analysis to be carried out in Chapter 7. The rival model analysis will also test a model including commitment and trust

as mediators of the effects of the exogenous variables on RQ, a conceptualisation based on Morgan and Hunt's (1994) 'Commitment-Trust Theory of Relationship Marketing', which has inspired some authors involved in the development of RQ models (e.g. Huntley 2006; Wong and Sohal 2002b), as well as a non-mediated model, consistent with previous approaches to evaluating rival models (e.g. Hennig-Thurau 2002; Morgan and Hunt 1994). In addition, context diversity seems to influence measurement issues as well. For example, in a replication and extension of the Crosby et al.'s study (1990), Boles et al. (2000), developed new measurement items for measuring relational selling behaviours, and dropped some of items of the original scale, because some of the items were considered relevant in a life insurance context but not in a business-to-business context. In the same study, Boles et al. (2000) found different results in relation to the Crosby et al.'s (1990) paper regarding some of the associations between RQ and its antecedents and consequences, and suggested that these differences have probably to do with the differences in research contexts.

This diversity notwithstanding, there is some overlap in the various approaches (Dorsch et al. 1998; Garbarino and Johnson 1999; Hennig-Thurau et al. 2002; Ivens 2004a; Palmer and Bejou 1994; Rauyruen and Miller 2007; Smith 1998). For example, out of the 36 studies reviewed (see Table 3.1), three constructs gathered a relatively high degree of agreement as key components of RQ, although not in the way they connect in models. These constructs are commitment (common to 17 studies), satisfaction (common to 22 studies), and trust (common to 30 studies) – the above mentioned building blocks of RQ. In addition, the way RQ has been defined and modelled in the literature seems to corroborate the prevalence of the social level of relationships and the intrinsic people-based nature of RQ, in both B2B and B2C relationships. Turning first to the definitions and dimensions of RQ, we can see that there seems to be no form of evaluating RQ except through people's perceptions, that relational dimensions are present in all the studies including RQ dimensions, and that the majority of these studies (25 out of 34 studies - nearly 74%) include relational dimensions only. Similarly, turning to the column containing RQ determinants, all the studies proposing RQ determinants include relational determinants, and a significant number (around 62% - 16 out of 26 studies) include exclusively relational determinants. If we consider the inclusion of relational determinants only and/or relational dimensions only, the percentage raises to approximately 81%. Turning now to the information on the various research contexts in which RQ has been modelled, and considering B2B settings only, we can see that the social level of

relationships is also prevalent, evidenced by the predominance of studies including exclusively relational determinants and/or dimensions (14 out of 18 studies – nearly 78%). Considering studies conducted in services settings, all of them included relational dimensions only and/or relational dimensions only, underlining the criticality of social bonds in service environments, in which person-to-person interaction works as a proxy for more objective measures of performance, due to absence of physical items of transaction (Berry 2002; Tzokas et al. 2001). Furthermore, there is some degree of agreement on RQ being a higher-order construct comprising several different, though related dimensions (Crosby et al. 1990; Dorsch et al. 1998; Dwyer and Oh 1987; Hennig-Thurau et al. 2001; Ivens 2004a; Kumar et al. 1995; Roberts et al. 2003; Woo and Ennew 2004). Another characteristic emerging from the studies listed in Table 3.1 seems to be a relatively consistent pattern of emulation of Crosby et al.'s (1990) conceptualisation of RQ, as a higher-order construct comprising satisfaction with the salesperson's performance and trust in the salesperson (Bejou et al. 1996; Boles et al. 2000; Lagace et al. 1991; Leuthesser 1997; Parsons 2002; Vieira 2001; Wong and Sohal 2002b; Wray et al. 1994). This, in turn, reinforces the importance of people-based, inter-organisational RQ in strengthening business relationships between partners, one of the responsibilities of relationship managers. Finally, the various approaches to modelling RQ draw primarily on buyer only perspectives, a limitation which is probably due to the difficulties inherent to collecting and analysing data from both sides of the dyad. In contrast, the present study includes an exploratory phase that combines qualitative empirical evidence with literature and adopts a dyadic approach to explore the nature, determinants and dimensions of RQ, and serves as the basis for the development of the RQ model proposed and tested in this investigation.

In concluding this section, it should be stressed that the RQ definition adopted in this study considers simultaneously its roots, as delineated by Gummesson (1987), the evolution occurred in the meantime, as discussed above, and the context of the present investigation. Therefore, RQ in this dissertation is defined according to Boles et al. (1997, p. 254):

'[RQ is] an evaluation of the personal and business ties linked to an interaction between a buyer and a salesperson in a business setting'.

This definition is compatible with the view of RQ as a higher-order construct - in this case, comprising the dimensions proposed by Crosby et al. (1990). It is also in line with a dyadic perspective of inter-firm relationships in B2B marketing,



where RQ is viewed as the combined cognitive assessment of business interactions by key individuals of both parties in the dyad (Holmlund 2001; Holmlund and Strandvik 1999).

Having defined RQ from a people-based, inter-organisational perspective, in accordance with its nature as depicted earlier in this chapter, the following section discusses the role of relationship managers in B2B relationships and reiterates the research goals.

### **3.4 Interpersonal Relationships in a Firm-to-Firm Exchange Environment**

Along with the introduction of the concept of RQ, Gummesson (1987, p. 17) also explained that all elements of an organisation are 'part-time marketers', contributing to the formation of the customer's perception of RQ: 'The work to create and maintain market relationships is divided between the full-time professional marketers in the marketing department and the omnipresent (non-professional) part-time marketers'. If relations to customers are the distinctive competence of the marketing department, then salespeople are relationship managers, or, in Gummesson's (1987, p. 17) words, 'the professional 'contact persons' who build relationships'.

In a firm-to-firm exchange environment, relationship managers - or client managers, in the context of this study<sup>2</sup> - are responsible for managing relationships with clients (Perrien and Ricard 1995). Client managers are also marketers, even if they do not work formally in the marketing department (Gummesson 1998a; Gummesson 1991; Veloutsou et al. 2002), and act at the concrete level of interpersonal relationships (as opposed to the abstract level of firm-to-firm relationships) between the actors involved in managing the inter-organisational interaction (Haytko 2004). Client managers are a special kind of professional contact person because they have the responsibility of being the 'face' of the organisation and engage in dyadic person-to-person interactions with their counterparts in firms. Moreover, in service environments, the frequent lack of tangible measures of performance, due to absence of a physical object of transaction, renders person-to-person contact increasingly critical, for it acts as a surrogate for a more objective measure (Berry 2002; Cann 1998; Solomon et

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<sup>2</sup> The researcher suggests the expression 'client manager', an industry term common to areas like banking or hospitality, to designate the client's key contact or key account manager, that is, the manager of the relationships with clients, and to be used alongside 'relationship manager'. It was felt that 'client manager' is more suitable for the context of the present research than, for example 'account manager', which is used in theory on key account management and focuses more on the key account, rather than on the client. In addition, 'client manager' is a frequently used designation in the country where data was collected, Portugal, as far as the management of relationships with the corporate segment is concerned.

al. 1985; Tzokas et al. 2001). It has also been suggested that both practitioners and researchers consider face-to-face negotiation a core and decisive competence to the longevity of B2B relationships (Harwood 2005). Furthermore, the importance of interpersonal relationships in a firm-to-firm exchange environment is emphasised by the fact that personal relationships between boundary-spanning individuals in each firm - 'very specific and nonimitable human capital', to quote Haytko (2004, p. 313) – serve to shape and define the partnership and drive the processes and outcomes of the interfirm interaction (Hutt et al. 2000).

More than two decades ago, researchers started calling the attention of the community of academics and practitioners for the importance of relational components in buyer-seller relationships (e.g. Dwyer et al. 1987; Jackson 1985). This happened subsequently to the introduction of the concept of RM by Berry (1983), which, in turn, was significantly influenced by the relational exchange taxonomy, first proposed by Macneil (1980). Macneil questions the assumption of classical contract theory that it is possible to produce complete contracts, arguing that formal contracting is but one of the available mechanisms to govern business relationships, which is complemented by joint values and expectations developed by exchange partners (Macneil 1978; Macneil 1981; Macneil 1980). These joint values and expectations, which, in the relational exchange theory, are labelled governance norms (Ivens 2004a), are developed through interpersonal relationships. More recently, and in line with the relational exchange perspective, it has been suggested that the development of personal relationships are needed to resolve conflicts, clarify the partner's roles, and move the partnership forward, this way complementing the boundaries established by legal documents, which are 'never complete and exhaustive' (Hutt et al. 2000, p. 59).

Iacobucci and Ostrom (1996) found that people use expressions related to interpersonal relationships to describe firm-firm dyads. This interesting finding reflects the importance of interpersonal relationships in B2B relationships in the marketing area. However, the interest in interpersonal relationships in inter-organisational exchanges is not an exclusive of the field of marketing. For example, in the field of economic sociology, Granovetter (1985) explains the concept of embeddedness of economic action in person-to-person relationships, which, in turn, is borrowed by Frenzen and Davis (1990) to extend the notion of utility, by adding the social utility derived from interpersonal relationships to economic utility. According to the latter authors, embeddedness 'exists when

consumers derive utility from two sources simultaneously: from attributes of the product and from social capital found in pre-existing ties between buyers and sellers' (Frenzen and Davis 1990, p. 1). Still building on Granovetter's notion of embeddedness, it has been argued that social patterns 'take on a rulelike status' that shape economic outcomes, and that, in organisational dyadic alliances, the initial interactions become embedded in a 'rich and active network of social relations that couple the two organizations strategically and administratively' (Larson 1992, p. 98). This seems to contribute to reinforce the importance of the social level of business relationships. Larson (1992) further suggested that the formal contractual aspects of exchange are relatively unimportant, and that personal relationships provide a conducive frame for economic change, which takes place and is shaped by social controls. In addition, previous studies produced in different areas of research, despite not focusing specifically on the role of personal relationships between key personnel in inter-organisational exchange, ended up highlighting its importance and influence on interfirm exchanges and outcomes (Larson 1992; Michell et al. 1992; Nicholson et al. 2001; Winklhofer et al. 2006). It has been further argued that the development of strong interpersonal relationships between key boundary-spanning individuals can stimulate economic exchanges (Price and Arnould 1999) and work as a way to reduce both economic and social uncertainty, sometimes superseding the interfirm relationship in the daily working environment (Haytko 2004).

The importance of interpersonal relationships between organisational boundary spanners is now well documented in the literature originating from different areas of thought (Hutt et al. 2000; Nicholson et al. 2001; Osborn and Hagedoorn 1997). Of course, like everything in life, interpersonal relationships also have pros and cons and do not always bring benefits to organisational environments. This is probably why it is possible to find literature in the field of marketing explicitly de-emphasising interpersonal relationships in the B2B context (e.g. Iyer et al. 2006). Indeed, in some instances, personal relationships can make it difficult to terminate an inter-organisational relationship (Haytko 2004), or foster boredom and lack of new ideas (Moorman et al. 1992; Tzokas et al. 2001), or even open the door to opportunism temptations (Weiss and Anderson 1992). Nevertheless, and in line with the particular focus of the present study, it has been recently reiterated that direct selling approaches, which are characterised by one-to-one relationships between the boundary personnel in the buying and selling organisations, are expected to exhibit the highest levels of interpersonal relationships, which are considered a requirement for these markets (Iyer et al. 2006). However, despite the acknowledgement of the critical importance of

interpersonal interactions in firm-to-firm exchange environments, little research has been produced on the role of key boundary-spanning individuals in inter-organisational relationships (see Haytko 2004, for an exception) in general, and on B2B RQ from an interpersonal perspective in particular (Bolton et al. 2003). The next section justifies the present study's interpersonal approach to investigating inter-organisational RQ and reiterates the research goals.

#### **3.4.1 Why Study People-Based Relationships in a B2B Context?**

As previously stated, RQ is viewed as a central construct in RM and a crucial factor in developing successful B2B relationships (Palmatier et al. 2006; Rauyruen and Miller 2007; Woo and Ennew 2004). Since the product/service offered by companies in a given business and segment can be the same, differentiation is exerted and competitive advantage is gained through the capacity of developing good quality long-term relationships with clients that resist changes in the competitive environment, e.g. via technology or price (Crosby 1989; Grönroos 1990; Grönroos 2000; Kempeners 1995; Zineldin 1999). Moreover, it has been suggested that future research needs to look beyond satisfaction (Day 2003), which is not enough to retain clients, not least because satisfied customers often defect (Reichheld and Sasser 1990), and replace measures on service quality by measures on RQ, which is the key factor in repurchase (Boles et al. 1997; Crosby et al. 1990). Notwithstanding a growing body of literature on RQ, there continues to be a high degree of ambiguity about the nature of RQ and its determinants. For example, it is possible to find a certain degree of consensus on some building blocks of RQ, but not on how they connect in models, as implied earlier. It has been argued that this vagueness may have in part to do with the different layers or levels at which relationships seem to develop, e.g. structural, economical, and social (Holmlund and Tornroos 1997). Though authors proposed different combinations of these levels, the importance of the social aspect is highlighted in a significant number of studies on RQ (e.g. Holmlund 2001; Walter et al. 2003). Social bonds are also the focus of the present research because, as mentioned previously and detailed in the following chapter, social bonds arising from personal contact between buyer and seller appear to be prevalent in the development of high quality relationships (Crosby 1989) and this also why this study adopts an interpersonal approach to modelling B2B RQ. As stated earlier, normally RQ is viewed in the literature as the result of RM efforts, an indicator of relational performance/success (Bejou et al. 1996; Hennig-Thurau 2000; Ivens 2004a; Palmatier et al. 2006). In spite of the importance attributed to RQ in the literature in the last two decades, several unresolved issues remain, and this is probably why Grönroos (2000) recognises

that, because RQ has been studied to a very limited extent, its general attributes or antecedents cannot be presented. In fact, through the short history of research on RQ, authors have been consistently acknowledging that it is a complex construct, and that more research is needed on its nature and determinants (e.g. Huntley 2006; Ivens and Pardo 2007; Naudé and Buttle 2000; Rauyruen and Miller 2007; Walter et al. 2003).

In addition, it has been suggested that RM finds its best habitat in B2B contexts (O'Malley and Tynan 1999b; Pressey and Mathews 2000), and that RM in consumer markets is 'more rhetoric than reality' (O'Malley and Tynan 2000, p. 810). This is not only because RM theory has its roots in studies developed in B2B contexts, but because RM does not seem appropriate for all situations, as already discussed in the previous chapter. Furthermore, according to O'Malley and Tynan (1999, p. 598), RM should be confined to 'deal only with those situations involving a high degree of interpersonal interaction'. Again, the researcher shares this perspective and extends it to RQ, which is viewed as a central construct representing the results of RM efforts. The importance of social bonds, developed as a result of continued interpersonal interactions, is well documented in the literature, as we have seen earlier in this study. For example, Palmatier et al. (2006, p. 137), in a recent meta-analysis on the factors influencing the effectiveness of RM, stated: 'successful RM efforts improve customer loyalty and firm performance through stronger relational bonds'. It has also been argued that, although customers may form a relationship with a key individual in the organization and/or with the organization as a whole, individual-to-firm relationships are typically short-term and less intense than individual-level dyads (Iacobucci and Ostrom 1996; Palmatier et al. 2006). One of the consequences is that the effects of customer relationships on exchange outcomes will be greater when the relational mediator is targeted toward a key individual of the selling organization than when it is targeted toward the organization (Palmatier et al. 2006). Another consequence, as already mentioned in the previous chapter, is that RM strategies with emphasis on developing interpersonal interactions between boundary spanners (e.g. designated client managers) may be more effective than those focused on building customer-firm relationships through team selling, or loyalty programs (Palmatier et al. 2006). Social bonds between relationship managers and clients can be a powerful tool to augment the core product/service (Crosby 1989; Kempeners 1995; Price and Arnould 1999), and its influence in building inter-organisational relationships is stronger than that of structural bonds and economic resources, notably regarding customer satisfaction with company

representatives and perceived value (Bolton et al. 2003; Haytko 2004). Indeed, frequently, relationship managers are the primary contact point for the buyer and have a significant influence on the level of quality, especially in those situations where the customer perceives that 'the salesperson is the company' (Crosby et al. 1990, p. 68). It has further been argued that the success or failure of relationships depends strongly on the way relationship managers act, as well as on the strength of the social bonds between them and their counterparts in firms (Bejou et al. 1998; Boles et al. 1997; Bolton et al. 2003; Cann 1998; Gummesson 1994; Pressey and Mathews 2000). In effect, relationship managers can communicate with the customer as an individual instead of a mere member of a segment, like in mass marketing, and, therefore, are in a privileged position to provide added value to the service and control its quality (Crosby 1989). This opportunity for message tailoring is considered the hallmark of RM (Berry 1983; Crosby 1989).

In addition, if RQ - the purported result of RM efforts (Palmatier et al. 2006) - emerges from long-term relationships in which person-to-person interactions play a crucial role, as Gummesson (1987) argues, it is not enough to address the effectiveness of marketing relationships merely from the perspective of service quality, which describes how quality is perceived at the episode (or service encounter) level (Grönroos 2000), but instead it is crucial to place the analysis at the level of relationship quality and to study the dynamics of the formation of long-term quality perception along the sequences of the episodes that form a relationship (Grönroos 2000; Storbacka et al. 1994). Furthermore, those employees that act as the 'face' of the organisation should be viewed as a major asset in any organisation that considers its network of relationships as a source of competitive advantage (Gummesson 1996; Kay 1995) and as fundamental as its factories, products, and capital (Gordon 1998). In spite of this, very little research has looked at the determinants and dimensions of inter-organisational RQ from an interpersonal perspective (Boles et al. 1997; Boles et al. 2000; Bolton et al. 2003). As suggested earlier, possibly due to the organisations' focus on more 'impersonal' relationships, taking advantage of technological advances, including in B2B markets, the research on interpersonal relationships in firm-to-firm exchange environments is insufficient (Bolton et al. 2003). This is probably why researchers and managers are re-acknowledging the importance of person-to-person relationships in an attempt to 'be at the right place at the right time with the right customer contact and right knowledge' (Gummesson 1998a, p. 243), in order to improve the quality of business relationships.

In response to this insufficiency in the literature, and as stated previously in this dissertation, this research adopts an interpersonal approach to modelling inter-organisational RQ, in a services marketing and management context where B2B relationships, despite occurring formally between organisations, contain a significant interpersonal component. The specific goals are: i) To explore and characterise people-based relationships and RQ in a B2B context; ii) To identify the relational determinants and dimensions of B2B RQ; and iii) To develop a B2B RQ model from an interpersonal perspective.

Having reiterated the goals proposed for the present study, which presuppose a specific context for the investigation, as implied by the foregoing discussion, the next section justifies in detail the chosen research setting.

### **3.5 Research Context for this Project**

In coherence with the defined research goals, the context of the present research is characterised by i) B2B relationships; ii) in a business setting where services are predominant; and iii) where the representatives of both organisations engage in a dyadic interaction. The above described environmental characteristics that helped influence the emergence and development of RQ also contributed to the definition of the specific context for the present study. However, some further considerations are deemed necessary in order to explain and justify the chosen research setting.

The marketing literature (e.g. Gummesson 1995; Vargo and Lusch 2004) argues more and more against the traditional distinction between goods and services. Indeed, increasingly many goods have a service element and many services have tangible components (which also helps explaining the use of the expression 'a business setting where services are predominant' in the last paragraph). This renders traditional arguments about RM and RQ being relevant for services rather than goods questionable to a greater extent. The question is under what circumstances relationships matter – because where relationships matter, so will RM and RQ. These circumstances include aspects such as information asymmetries (which are also associated with vulnerability to opportunistic behaviour and, thus, highlights the importance of trust), high degrees of asset specificity (e.g. contracts; systems links), high levels of uncertainty, frequency of interactions, relatively significant levels of expenditure, need for some degree of customisation/personalisation, and potential/need for co-creation (Berry 1983; Crosby et al. 1990). Although RM and RQ are likely to be appropriate for other settings with these characteristics, the research context of the present

investigation corresponds to the majority of the referred circumstances, which makes it suitable for the study of RM and RQ. As described in the remainder of this section, it is perceived and argued that the chosen research setting is among those contexts that correspond for the most part to the circumstances where RM and RQ have general relevance and, therefore, likely to constitute an additional factor that strengthens this study's contributions. Particularly in relation to RQ, it should be reiterated that the specific characteristics of the sector that provides the basis for this study's research setting, also as detailed later in this section, render RQ vital for performance maximisation, and therefore contribute to justify the focus of the present investigation on RQ and its determinants and dimensions only.

Indeed, the research context for this study fulfils virtually all the conditions of a 'personal relationship marketing context' as suggested by Crosby et al. (1990, p. 72). These authors argue that the so-called personal RM context exists when the following conditions are verified: 'the service is both highly complex and highly intangible (...), one of the primary functions performed [by relationship managers] is service customization (...), and there is usually recurring interaction between the customer and the same contact person' (Crosby et al. 1990, p. 72). The only difference in this study is that the service is not considered 'highly complex', in line with more recent views on RM. Indeed, until about a decade ago, RM was seen as an asymmetrical process (e.g. Perrien and Ricard 1995), in the sense that the seller possessed more knowledge of the service being provided than the buyer, who was considered 'relatively unsophisticated about the service' (Crosby et al. 1990, p. 69). Especially in B2C markets, this has contributed to a situation 'in which technology has been used by sellers to manipulate an essentially passive audience of buyers' (Palmer 2002, p. 84). RM principles were first adopted in the banking sector, more specifically in commercial banking (Perrien and Ricard 1995) where, in effect, there are services that can be perceived as complex by consumers. However, this is increasingly not the case anymore, not even in B2C markets, where consumers became more active and knowledgeable actors, let alone in B2B markets, where practically there is no significant information asymmetry. For example, in a study on dyadic relations, Iacobucci and Ostrom (1996) found that none of the interpersonal commercial dyads were characterised as being asymmetric and hostile, and stressed the reasonableness of this finding given that it is difficult to picture a customer participating and investing in such kind of a relationship. This change occurred through time and is now acknowledged by experts in the RM area. For example, Berry (1983), who first suggested several conditions under



which RM is most applicable – for example, the complexity of the service, subsequently reiterated by other scholars (e.g. Crosby et al. 1990) – recently stated that as long as ‘a service is needed over time and the customer can choose the supplier, the potential [for RM] exists’ (Berry 2002, p. 71). Of course, significant differences exist between B2C markets and B2B markets, which is why very different marketing principles and techniques are required for each market (Palmer 2002; Sheth and Parvatiyar 1995). As mentioned previously, RM has been considered more suitable to the latter than to the former kind of markets (O'Malley and Tynan 2000; O'Malley and Tynan 1999; Pressey and Mathews 2000). This is also due to the crucial role of person-to-person interactions and social bonds developed between the individuals representing the organisations involved in long-term relationships (Gümmesson 1994; Pressey and Mathews 2000; Wilson 1995). This is also consistent with the idea that managing all kinds of relationships on a person-to-person basis is not always cost-effective, and a segmented approach to relationship management should be adopted, in order to identify and manage key and other relationships (Hughes et al. 2004). Bearing this in mind, the particular emphasis of this study is on the corporate segment.

The research setting includes, therefore, the characteristics of an appropriate habitat for RM and RQ, that is, a B2B marketing environment, where services are predominant and the relationship between firms is mainly characterised by an ongoing interpersonal interaction between the individuals representing the two sides of the dyad – the corporate client and the hotel – in a relatively symmetric environment in terms of information. This is consistent with the notion of a service-, customer-centric, and relational view of marketing, i.e. as a continuous social and economic process in which value is co-created with the consumer (Vargo and Lusch 2004). It is also consistent with the suggestion that rich interpersonal interaction is directly associated with the creation of unique knowledge, which, in turn, constitutes one of the pillars of competitive advantage (Day 2004; Tzokas and Saren 2004; Vargo and Lusch 2004), and that a significant part of that unique knowledge ‘resides within the individuals involved in relationship management’ (Hunt et al. 2006, p. 79). In effect, the good quality of the dyadic relationship involving the representatives of each party is one of the essential requirements for the creation of value for both parties, and, although there might be other environments for the development of RM principles and the investigation of RQ, it is believed that this study's context provides one of the best habitats for both RM and RQ, especially taking into account its characteristics. Indeed, as implied earlier, it should be stressed that

the characteristics of the sector that serves as the basis for this research setting - the Portuguese hotel industry - render RQ particularly vital for organisational success. The hotel business in Portugal has reached a maturity stage, where a relatively large portion of the business is controlled by a relatively small number of supplier-firms with no significant differences in the offerings, and differentiation is achieved through enhancing the quality of the relationships with partners. Indeed, hotels operating in Portugal have to cope with the highly intense competition that also characterises this market. This results in serious difficulties in relation to market penetration, particularly in the corporate segment, given that the number of customer-firms is relatively limited, as suggested in the literature (e.g. Harker and Egan 2006), and corroborated by the specific reality of the Portuguese hotel sector. This contributes to further reinforce the criticality of RQ as a key factor for performance maximisation and to justify the focus of the present investigation on RQ and its determinants and dimensions only, as mentioned earlier. Indeed, based on data provided by DGT (*Direcção Geral do Turismo*) (2006), the Portuguese authority for tourism, approximately 80% of the business is controlled by less than 14% of the suppliers - the 'big players', typically hotel chains/groups. Table 3.2 contains approximate figures of the number of hotels in Portugal, with a comparison between hotels owned by hotel chains vs. independent hotels, including their respective business shares, both in relation to the whole market and the corporate segment.

Table 3.2 – Hotel Chains vs. Independent Hotels.

	<b>Hotel Chains</b>	<b>Independent Hotels</b>	<b>Totals</b>
<b>Number of Hotels</b>	271	1741	2012
<b>Total Share of Business<sup>a</sup></b>	1448	359	1807
<b>Share of Business - Corporate Segment<sup>a</sup></b>	289	72	361

a - Millions of Euros

Source: DGT 2006.

Taking this business concentration and asymmetry into account, and considering in addition that, overall, in the hotel industry the profitability of suppliers more oriented to the corporate segment tends to be relatively higher (Yelkur and DaCosta 2001) and that the corporate segment represents around 20% of the Portuguese market, we have a scenario that gives an idea of the extremely high intensity of the competition in the corporate segment. This is particularly critical taking into account that, on the demand side, the number of medium to large sized firms (i.e. those most likely to constitute the typical hotel corporate client) is rather limited (see also Chapter 5, section 5.8). An additional sign of the importance attributed to the corporate segment is the way in which the 'big players' approach the market. One of the tactics used by the 'Top-10' hotel

chains<sup>3</sup> (accounting for nearly 72% of the hotels owned by the 'big players') listed in Table 3.3 is to designate client managers to proactively manage portfolios of clients. These designated relationship managers work in some cases from corporate centres physically separated from the hotels (e.g. one for each region of the country) and, in other cases, in each of the hotels, as detailed later in this dissertation. In contrast, independent hotels operate in a rather fragmented way, also characterised by the lack of a sense of strategy, namely in relational terms (illustrated by the absence of designated client managers – see also Vieira and Ennew 2004).

Table 3.3 – Ranking of 'Big Players'.

<b>Hotels Chains - Ranking</b>	<b>Number of Hotels</b>
1	41
2	34
3	23
4	17
5	15
6	15
7	13
8	13
9	12
10	12
<b>Total</b>	<b>195</b>

Source: DGT 2006.

According to DGT (2006), the 'big players', equipped with an increasingly more qualified offer, are conquering more and more share of business at the cost of small/independent hotels. This trend is more evident in the last decade and it is expected that it continues in the same direction (DGT 2006), which contributes to reinforce the concentrated and asymmetrical nature of the hotel sector in Portugal. As implied earlier, another implication is that the most relevant incidences in the sector are associated with a relatively small number of suppliers<sup>4</sup> that have to intensely compete in a mature market, in which the quality of the relationships with corporate clients assumes a decisive role. This, in turn, underlies the criticality of RQ *per se*, and contributes to justify the study of RQ and its determinants and dimensions only, as mentioned.

In concluding this section, it should be stressed that, although it is perceived that RM and RQ are most appropriate when exchange relationships are characterised by frequency, uncertainty and asset specificity, where there is a significant dependence on trust and where interpersonal interactions are important, and that, in practice, this may dominantly refer to B2B transactions

<sup>3</sup> For confidentiality reasons, the names of the hotel groups are not revealed, namely because the hotels that participated in the study, which are among the 'top-10 big players', required the confidentiality of their names/brands, as detailed in the next chapter.

<sup>4</sup> Consistent with this implication is also the option for corporate clients of hotels with designated client managers as the population of interest for the main survey, as detailed in the following chapters.

and service transactions, it is also acknowledged that RM and RQ are not automatically restricted to these domains. As stated, despite the existence of other contexts with these characteristics, the research context of the present investigation is considered suitable for the study of RM and RQ, for it corresponds to the majority of the referred circumstances, with the exception of information asymmetry. The specific characteristics of the research setting for this study also help to further explain and justify why RQ construct is addressed and put to test under conditions of relative information symmetry. The main reason for this is that the service is not perceived by the representatives of both sides as highly complex. Even in those cases where negotiations of contracts between hotel and corporate client occur, which have economic consequences for both parties and may pose some - but not high - complexity, there is not a case for information asymmetry, because, as a rule, the client's side is as active and technically knowledgeable as the buyer's side. In effect, symmetry is the keyword for the possible generalisation of the model to be developed and tested in the present study. Information symmetry is a reasonable assumption to make, given that nowadays firms are supposed to select and train their representatives to perform the specific function of relationship managers, taking into account precisely that the function implies a certain level of skills and knowledge, which means that the level of complexity of the product/service is not perceived as being high. This is also in line with empirical findings in a B2B research setting (e.g. Boles et al. 2000). In this research, therefore, all characteristics specifically inherent to RQ, the result of RM efforts, are present, for RQ is studied in a research setting where marketing is seen as managing long-term relationships, with relationship managers interacting recurrently with their counterparts in firms mainly through person-to-person communication (Crosby et al. 1990; Gummesson 1987).

Having reviewed the literature on RQ, reiterated the research goals, and delineated the research context, the remainder of this chapter aims at establishing the link between the theoretical and the empirical components of the present investigation. To this end, it is necessary to address some additional issues raised by a close examination of the literature on modelling RQ, particularly as far as the constructs associated with RQ are concerned, in light of the interpersonal perspective adopted in this study.

### **3.6 Constructs Associated with Relationship Quality**

Through an examination of the constructs associated with RQ and included in Table 3.1 it is possible to identify more than fifty different designations

attributed in previous studies to determinants and dimensions of RQ. A distinction must be made between different designations and different concepts. A closer inspection and comparison of the various constructs and respective measures used suggests that there is some degree of overlapping that reduces the number of different concepts used in modelling RQ. Overlapping situations range from the more obvious to the more concealed. For example, it is probably safe to suspect that relationship duration (Bejou et al. 1996; Wray et al. 1994), age of the relationship (Kumar et al. 1995), and length of relationship (Bejou et al. 1998) are one and the same thing, and that ethics (Bejou et al. 1998; Bejou et al. 1996; Wray et al. 1994) and ethical profile (Dorsch et al. 1998) correspond to the same concept. However, it is perhaps not so easy to conclude that Leuthesser's (1997) relational behaviours are equivalent to Crosby et al.'s (1990) relational selling behaviour, and probably even more difficult to spot the parallels between the concepts of customer orientation (Bejou et al. 1998; Bejou et al. 1996; Vieira 2001; Wray et al. 1994) and adaptation (Woo and Ennew 2004), to name but a few examples. Signs of this situation are reflected in previous studies that have included attempts to reduce this alleged overlapping by integrating some concepts, e.g. Hennig-Thurau et al. (2002) merged the concept of trust into that of (relational) confidence benefits, and Parsons (2002) collapsed the concepts of similarity and shared values. Nonetheless, the information in Table 3.1 depicts a scenario of significant diversification as far as RQ has been conceptualised and measured. This may have to do with the influence of relationship levels and/or context dependence, as mentioned earlier, a possibility that has been explicitly recognised by several authors (Boles et al. 2000; Holmlund and Tornroos 1997; Palmatier et al. 2006; Walter et al. 2003; Woo and Ennew 2004) and implicitly corroborated by many others.

To briefly recap, the context of the present research can be delimited or characterised by i) B2B relationships; ii) in a business setting where services are predominant; and iii) where the representatives of both organisations engage in a dyadic interaction. As discussed earlier, this research setting is believed to provide one of the most suitable habitats for both RM and RQ. Using these criteria to select previous studies with similar characteristics to those of the present study, out of the list in Table 3.1, the selection results in the following studies: Boles et al. (1997), Boles et al. (2000), Rauyruen and Miller (2007), Vieira (2001), and Woo and Ennew (2004). These were, therefore, the only studies found in the literature on RQ that focused on B2B relationships in a services context in which organisations are represented by key individuals or boundary spanners. However, in contrast with the present research, the above

mentioned studies were not conducted from a perspective that would correspond to the most suitable habitat for RM, although constituting a reasonable approximation to a research setting suitable for the development and examination of B2B RQ from an interpersonal perspective. Indeed, all five studies draw on buyer only perspectives, and common to all of them is the absence of a dyadic approach to the development of the RQ model, as acknowledged by Rauyruen and Miller (2007, p.29): 'we did not investigate their specific customer contact point in depth'. To give just another example, in Woo and Ennew's (2004) study, although the survey was targeted to senior staff (just like in the other four studies), there is no key individual representing the client, but rather a project team. As implied earlier, this constitutes a gap in the literature that the present study intends to compensate, primarily through the exploratory, qualitative study, to be described in the next chapter.

Nevertheless, the above mentioned five studies can be useful as a reference in terms of the constructs to possibly consider for the RQ model to be developed and tested in this investigation, given that their research settings are relatively close to that of the present study. Even within these studies, it is possible to identify seventeen different designations attributed to determinants and dimensions of RQ. This represents problems in terms of the implementation of this study's exploratory phase, namely regarding the interview phase. As detailed in the next chapter, although the interview format allowed for flexibility in terms of what might emerge from the interviewees' answers, interview scripts were used as a general guide, to help the researcher in using time and other resources available to cover all the relevant issues in an effective and rigorous way. Each interview guide (one for the client manager and one for the representative of the corporate client) contained a question related to potential determinants and dimensions of RQ, which, in turn, included some latent prompts to be used if necessary. Therefore, for the sake of parsimony and taking into consideration that probably it would not be very effective nor feasible to consider so many designations, an effort was made to reduce the number of concepts to consider for subsequent exploratory work, without, at the same time, losing the ability to capture the phenomena under investigation. The following concepts were considered able to respect this balance: commitment, satisfaction, trust, mutual goals, communication, cost/benefit ratio, and relationship manager's ability to satisfy clients.

Commitment was considered for the exploratory work given its regularity as a construct included in previous RQ models, as mentioned earlier in this chapter.

Commitment is defined in the literature as the parties' firm and consistent desire and motivation to maintain a certain relationship (Anderson and Weitz 1992; Dwyer et al. 1987; Fullerton 2003; Gundlach et al. 1995; Hewett et al. 2002; Moorman et al. 1992; Morgan and Hunt 1994; Vieira 2001). In the context of exchange relationships, commitment refers to an interpersonal attachment that motivates people to interact repeatedly with the same person (Cook and Emerson 1978). According to the literature reviewed and summarised in Table 3.1, commitment is frequently included in modelling RQ, as already mentioned, and has been used as a determinant as well as a dimension.

Likewise, satisfaction with the service provider's performance is regarded as one of the key components of RQ (Baker et al. 1999; Crosby et al. 1990; Dorsch et al. 1998; Garbarino and Johnson 1999; Hennig-Thurau et al. 2002; Smith 1998) and, therefore, was also considered for the interview phase. Satisfaction is defined as the assurance, perceived by the buyer, regarding the salesperson's future performance, given that past performance has been consistently satisfactory (Crosby et al. 1990; Naudé and Buttle 2000; Parsons 2002; Vieira 2001). Although the literature also refers to transaction-specific satisfaction (e.g. Teas 1993), this study adopts an attitudinal perspective of the concept of satisfaction (referred to as satisfaction in this thesis), which is, not only consistent with the adopted definition, but also in line with the dominant trend in the literature on RQ. Satisfaction has been consistently modelled in the literature as a dimension of RQ (with two exceptions), reflecting a pattern of emulation of Crosby et al.'s (1990) conceptualisation of RQ, as already mentioned in this chapter.

Trust was also considered for exploratory work purposes, not least because trust is the most used construct in modelling RQ, according to extant literature. Trust is defined as the ability and willingness to rely on the salesperson's integrity and behaviour so that the long-term expectations of the buyer will be met (Anderson and Weitz 1989; Crosby et al. 1990; Donney and Cannon 1997; Dorsch et al. 1998; Hewett et al. 2002; Ivens 2004b; Leuthesser 1997; Moorman et al. 1992; Morgan and Hunt 1994; Naudé and Buttle 2000; Roberts et al. 2003; Smith 1998; Vieira 2001; Walter et al. 2003). Analogous to satisfaction, trust has also been consistently included as a dimension of RQ in previous studies (with three exceptions), frequently alongside satisfaction, especially since the publication of Crosby et al.'s (1990) paper on people-based RQ.

Mutual goals are defined as the degree to which parties share goals that can only be achieved through joint action and the maintenance of the relationship (McQuiston 2001; Weitz and Jap 1995; Wilson 1995). The concept of mutual goals is considered a successful predictor of relationship performance, with both theoretical and empirical support in the literature on buyer-seller relationships (Evans and Laskin 1994; Wilson 1995), and frequently included in models, for example as an antecedent of trust (Dwyer et al. 1987; Morgan and Hunt 1994; Smith and Barcklay 1997). It is possible to find similar concepts in the literature, for example shared values (Morgan and Hunt 1994) and relational exchange norms (Heide and John 1992). However, mutual goals are able to reflect both shared values and norms (McQuiston 2001; Weitz and Jap 1995), which are more complex and broad concepts, and probably this is why it is more difficult to measure the extent to which partners share values and norms than the degree to which they have common goals (Wilson 1995). In this context, the construct of mutual goals was considered for the exploratory, qualitative component of this dissertation, as described in the next chapter.

Communication has been defined in the literature as the formal and informal sharing of meaningful and timely information through frequent interactions between buyer and seller (Anderson and Weitz 1992; Anderson and Narus 1990; Morgan and Hunt 1994; Roberts et al. 2003). Communication is considered one of the defining constructs in RM (Lindgreen and Crawford 1999). It is also considered 'an antecedent or driver' of RQ (Roberts et al. 2003, p. 176). This may be in part due to its association with trust (Anderson and Weitz 1989; Anderson and Weitz 1992; Anderson and Narus 1990; Moorman et al. 1992; Morgan and Hunt 1994) and commitment (Anderson and Weitz 1992; Dwyer et al. 1987). According to Williams et al. (1990), communication is the most basic activity during the exchange within a customer-salesperson dyad and the essence of any interaction between the individuals involved. Due to its importance to RQ in a dyadic context, communication was also considered for the exploratory phase.

The concept of cost/benefit ratio represents the parties' expected net benefits from a relationship. This definition borrows significantly from Dwyer et al.'s (1987) dyadic motivations for relational exchange. Partners engage in relationships looking for benefits that are not possible to obtain by working independently (Wilson 1995). However, buyer-seller relationships involve benefits as well as costs, and each party assesses the overall costs and rewards, both economical and relational, associated with participating in the relationship,



against the level of outcomes possibly available from alternative relationships (Dwyer et al. 1987; Morgan and Hunt 1994). Grönroos (2000) describes this balance between perceived benefits and 'sacrifices' as the ratio 'episode benefits + relationship benefits' divided by 'episode sacrifices + relationship sacrifices'. For example, a benefit can be the feeling of security or reassurance for having a consistent and reliable relationship and being accustomed with a certain seller representative. As mentioned earlier, clients seem to be uncomfortable with the idea of going through another period of adaptation to a different person, because they are not sure if the new relationship is going to work well (Cann 1998). An example of a 'sacrifice' can be not being proactively on the lookout for an alternative relationship. These examples of benefits can be considered to correspond to a type of benefit referred to as social benefit (Gwinner et al. 1998; Hennig-Thurau et al. 2002). Taking into consideration the interpersonal approach to modelling RQ adopted in the present research, the concept of cost/benefit intends to reflect the relational or social component of the forward looking or comparison between benefits and sacrifices inherent to the participation in a relationship, which, in turn, influences the motivation for the involvement in the relationship. A similar concept, relational benefits - also referred to as relationship benefits - can be found in the literature (Gwinner et al. 1998; Hennig-Thurau et al. 2002; Morgan and Hunt 1994; Parsons 2002) and is worth mentioning because of its association with RQ and its key constructs. Indeed, the construct of relational benefits has been used as an antecedent to commitment (Hennig-Thurau et al. 2002; Morgan and Hunt 1994), satisfaction (Hennig-Thurau et al. 2002), and RQ itself (Parsons 2002). Another concept that is sometimes associated with relational benefits is customer-perceived value, occasionally also referred to as relationship value (Ulaga and Eggert 2006b; Walter et al. 2003). However, research on customer-perceived value in business markets, which is still in its infancy (Ulaga and Eggert 2006b), often neglects its relational dimensions (Ravald and Grönroos 1996), typically focusing on the value of the physical product, with a particular emphasis on cost reduction (e.g. Cannon and Homburg 2001; Pardo et al. 2006; Sirdeshmukh and Sabol 2002; Zeithaml 1988). Cost/benefit ratio extends the concepts of relational benefits and relationship value by assessing, not merely the expected benefits or cost reduction individually considered, but the balance between both of them, constituting, thereby, an effective way to communicate the value of a relationship to potential buyers (Jalkala and Salminen 2005; Ulaga and Eggert 2006b). In addition, it is a relational-based perspective of the balance between expected benefits vs. expected costs and, therefore, seemed appropriate to be considered for the exploratory study.

Relationship manager's ability to satisfy clients (hereafter referred to as ability to satisfy clients) is a measure of the extent to which a client manager (also referred to as relationship manager) perceives that s/he accomplishes the quality goals for the relationship and receives positive feedback about this (Heskett et al. 1997; Sergeant and Frenkel 2000; Vieira 2005). It is the subjective evaluation made by the client manager about the relationship with the customer, more specifically of his or her ability to satisfy clients. From the buyer's perspective, customer contact employees are the face of the service provider, and, therefore, the relationship between the parties is a component of the service and, probably, influences relationship performance (Sergeant and Frenkel 2000). Relationship managers are a class of contact employees; therefore, it seemed appropriate to consider this concept for the exploratory study as well. In addition, if relationships are two-way, it is probably reasonable to expect that there is a significant degree of congruity between the opinions of both parties of the dyad, which should be equally valued. Hence, it was felt that the inclusion of a construct relating to the seller's perspective, and yet believed to be equally understandable by the buyer's side, could potentially add value to the discussion. Moreover, relationship managers are in a privileged position to evaluate their own performance in service delivery. Indeed, a consistent and high correlation between customers' and contact employees' perceptions of service delivery has been identified across several studies in the field of service quality (Schneider and Bowen 1985), and contact personnel's perceptions have been used successfully in previous research on service delivery (e.g. Iverson et al. 1996).

Table 3.2 summarises the proposed correspondence between the constructs (and their respective sources and definitions) used in previous studies conducted in a context similar to that of the present investigation and the above selected constructs. As stated, these seven constructs intend to systematise, in a more parsimonious manner, those seventeen constructs that were employed in contexts similar to this study's research setting, and are considered as mere 'navigation tools' for exploratory work purposes only, in the form of latent prompts included in the interview guides, as detailed in the next chapter.

Table 3.2: Correspondence between RQ Key Constructs and Constructs Included in the Interview Guides.

<b>Constructs and Studies in the Literature</b>	<b>Definitions</b>	<b>Represented in this Study by</b>
Adaptation (Woo and Ennew 2004)	Behavioural or structural modifications, at the individual, group, or corporate level, carried out by one organisation, which are initially designed to meet specific needs of one other organisation.	Ability to satisfy clients; Commitment; Communication; Mutual goals.
Atmosphere (Woo and Ennew 2004)	The state of a relationship.	Ability to satisfy clients; Commitment; Communication; Cost/benefit ratio; Mutual goals; Satisfaction; Trust.
Cooperation (Woo and Ennew 2004)	A behavioural manifestation of the elements of trust and commitment.	Commitment; Trust.
Client manager's knowledge (Vieira 2001)	Salesperson's knowledge and competency on the service and on the client's business.	Ability to satisfy clients.
Commitment (Rauyruen and Miller 2007; Vieira 2001)	The parties' firm and consistent desire and motivation to maintain a certain relationship.	Commitment.
Common objectives (Vieira 2001)	The degree to which partners share goals that can only be accomplished through joint action and the maintenance of the relationship.	Mutual goals.
Communication (Vieira 2001)	The formal and informal sharing of meaningful and timely information through frequent interactions between buyer and seller.	Communication.
Contact frequency (Vieira 2001)	Frequency of contacts between client manager and client.	Communication.
Customer Orientation (Vieira 2001)	The degree to which salespeople adopt behaviours aiming at increasing the customer's long-term satisfaction.	Ability to satisfy clients; Commitment; Communication; Mutual goals; Satisfaction; Trust.
Equity (Boles et al. 2000)	The degree to which the customer perceives that s/he is being treated fairly.	Ability to satisfy clients; Communication; Commitment; Trust.
Perceived risk (Vieira 2001)	Probability of conflict after using a service, as perceived by the customer.	Mutual Goals, Satisfaction; Trust.
Relational selling behaviour (Boles et al. 2000)	Behavioural tendency on the part of the sales representative to cultivate the buyer-seller relationship and see to its maintenance.	Commitment; Communication; Satisfaction; Trust.
Satisfaction (Boles et al. 2000; Rauyruen and Miller 2007; Vieira 2001)	The assurance, perceived by the buyer, regarding the salesperson's future performance, given that past performance has been consistently satisfactory.	Satisfaction.
Service domain expertise (Boles et al. 2000)	Salesperson's knowledge and competency on the service/market.	Ability to satisfy clients.
Service quality (Rauyruen and Miller 2007)	The consumer's judgement about a product and service's overall excellence or superiority.	Ability to satisfy clients; Trust; Satisfaction.
Similarity (Boles et al. 2000)	Similarity between salesperson and customer, as a cue for expecting the other party to facilitate one's goals.	Communication; Cost/benefit ratio; Mutual goals.
Trust (Boles et al. 2000; Rauyruen and Miller 2007; Vieira 2001)	The ability and willingness to rely on the salesperson's integrity and behaviour so that the long-term expectations of the buyer will be met.	Trust.

As implied earlier, the information summarised in Table 3.2 intends to illustrate the efforts to respond to the high number of constructs included in the literature on modelling RQ and the need to narrow down the number of concepts under consideration for subsequent exploratory work, rather than establishing absolute conceptual equivalence, although conceptual equivalence appears to be more

obvious regarding constructs such as commitment, communication, mutual goals (or common objectives), satisfaction and trust.

### **3.7 Conclusion**

This chapter addressed the central construct in the present study, RQ, which is regarded as a key issue in B2B relationships. The chapter began by describing the nature of RQ as depicted in the literature and examining how previous studies have contributed to characterise the construct of RQ. Based on the foregoing discussions, and in accordance with the people-based approach to RQ adopted in this research, RQ was defined as 'an evaluation of the personal and business ties linked to an interaction between a buyer and a salesperson in a business setting' (Boles et al. 1997, p. 254). Next, the role of relationship managers in B2B relationships was discussed, along with the identification of the gaps in the literature, and the specific research goals justified and reiterated.

In sum, although RQ is viewed as essential for the success of B2B relationships, a form of differentiation and competitive advantage able to resist changes in the competitive environment, and the key factor in repurchase, superseding factors like satisfaction and service quality, research on RQ is still insufficient, as acknowledged by several authors in this area. In addition, although the social level of business relationships seems to be prevalent, and the importance of interpersonal relationships between organisational boundary spanners is consistently acknowledged in literature originating from different streams of thought, little research has been produced on the role of key individuals in inter-organisational relationships in general, and on B2B RQ from an interpersonal perspective in particular. Furthermore, previous approaches to modelling RQ draw primarily on buyer only perspectives, a limitation which is probably due to the difficulties inherent to collecting and analysing data from both sides of the dyad. In order to respond to this insufficiency in the literature, this research adopts an interpersonal approach to modelling B2B RQ, in a context where business relationships, despite occurring formally between organisations, contain a significant interpersonal component, and aims primarily at developing and undertaking a rigorous quantitative test of a RQ model in a people-based, inter-organisational context. The present study includes an exploratory phase that combines qualitative empirical evidence with literature and adopts a dyadic approach to explore the nature, determinants and dimensions of RQ, and serves as the basis for the development of the RQ model proposed and tested in this investigation. It is believed that the combination of both the exploratory, qualitative and the large-scale, quantitative components of this research

contribute decisively, not only to differentiate the RQ model proposed in this study from previous models, but, more importantly, to narrow the identified gaps in the literature on RQ, as described in the following chapters.

In light of the literature review carried out and the proposed research goals, the context for this investigation was then defined. As far as the research context is concerned, RQ is studied in an inter-organisational service setting where marketing is seen as the management of long-term relationships, mainly in a person-to-person communication between the representatives of both firms.

The final part of this chapter aimed at establishing the link between the theoretical and the empirical components of the present dissertation. Given the relatively high number and diversity of constructs associated with RQ in previous studies, efforts were made to systematise and reduce the number of concepts to consider for the implementation of the exploratory component of the present study, aiming, at the same time, to respect the balance between parsimony and the ability to capture the phenomena under investigation. In this context, seven constructs were considered able to respect this balance: commitment, satisfaction, trust, mutual goals, communication, cost/benefit ratio, and relationship manager's ability to satisfy clients. The identification of these constructs was primarily based on a literature review of studies concerned with modelling RQ.

This chapter revealed some issues that call for a qualitative, exploratory study, in order to apprehend the 'real-life' features of RQ, from the perspectives of the actors of the business that serves as the research setting for this project. These issues seem to be predominantly related to the alleged context specificity of RQ. Indeed, the definition and operationalisation of the RQ construct seems to be context dependent, as suggested by the diversity that characterises the literature. In addition, in spite of some evidence of the existence of building blocks of RQ, there is no consensus on the way they connect in models. Furthermore, previous approaches to modelling RQ lack a people-based, inter-organisational perspective that corresponds to the nature of RQ and the prevalence of its social level. What is more, the limited number of previous studies that correspond roughly to a suitable environment for RQ, did not use a dyadic approach to model development, as the nature of RQ requires. As a response to these issues, the exploratory phase of the present study is conducted in a research setting characterised by B2B relationships in a business setting where services are predominant and where the representatives of both

organisations engage in a dyadic interaction, an environment that is believed to provide one of the most adequate habitats for both RM and RQ. The expectation is, therefore, that the exploratory, qualitative study, conducted from a dyadic approach and described in the next chapter, helps in the clarification of the role of each of the constructs associated with RQ, in terms of both the pertinence of their inclusion in the model to be devised in this study and the type of association with the other constructs.

## CHAPTER 4 - MODEL DEVELOPMENT

### 4.1 Introduction

The literature review carried out in the two previous chapters raised several questions that need to be explored before moving on to the next steps in the investigation. The actual development of the proposed relationship quality (RQ) model from a people-based, inter-organisational perspective calls for the identification, contextualization, and substantiation of the relational determinants and dimensions of RQ, as well as clarification about how they connect in the model, from the viewpoint of the actors who are living the phenomena under examination. Prior to that, it is also necessary to explore the nature of marketing relationships within the specific context of the present research. It is important to allow the actors of the business, in this case the representatives of hotels and corporate clients, to speak for themselves, not only for exploring issues that are important to the quality of the relationship, but also to help the preparation of the quantitative component of the present investigation. Thereby, it is recommended that an exploratory, qualitative research is conducted prior to the quantitative stage (for a justification of the combination of the quantitative and qualitative approaches, please see Chapter 5 - Methodology). The purpose of this chapter is, therefore, to describe the process through which the RQ model proposed in this study was developed.

In this context, the next section presents the specific goals for the exploratory phase of the present investigation, as well as a detailed description of the sample, interview procedures, and analysis strategy employed in order to achieve the proposed objectives. Then, a characterisation of the nature of people-based relationships in an inter-organisational context will be presented, followed by a section dedicated to the identification of the RQ key constructs potentially eligible for integrating the proposed model, through a combination of literature and qualitative empirical evidence. The last part of the chapter describes the development of a proposed RQ model that considers the perspectives of both buyer and seller, and takes into account, not only the literature review, but also the exploratory and qualitative phase of the research.

### 4.2 The Exploratory, Qualitative Phase of the Investigation

A common problem with model development is to ensure that the adequate components are selected. To overcome this difficulty, the proposed determinants and dimensions of RQ, as well as their associations in the model, were identified

by combining literature on RQ with the results of a study employing a multiple case-study approach, based on in-depth personal interviews, used to investigate the relationships between buyers and sellers. The general goal of the exploratory, qualitative phase of this research is to gain a better understanding of marketing relationships, with a particular focus on exploring the determinants and dimensions of RQ, in the context of inter-organisational relationships in a business setting where services are predominant, and the representatives of both firms engage in a dyadic interaction (that is, as mentioned earlier, in a research context that is believed to provide one of the best habitats for RQ), from the perspectives of both sides of the dyad. To this end, the exploratory research described in this chapter builds on the literature review carried out in the previous chapter. In this context, the exploratory phase of this study was not conducted from a strictly conventional exploratory perspective, but rather in combination with literature, as mentioned earlier and detailed later in this chapter. The literature review suggested some relational constructs associated with RQ that work as 'rough boundaries' for model development purposes, in accordance to the prevalence of the social level of business relationships, and in line with this study's context and goals. The exploratory study is, therefore, a preliminary phase of the research that is used to help clarify the issues under analysis (Churchill 2001; McDaniel and Gates 1999), as well as to identify relevant variables in the phenomena under investigation, and the associations among them, in order to provide a basis for subsequent quantitative hypotheses testing (Eisenhardt 1989; Kerlinger 1986; Shah and Corley 2006). The combination of the exploratory, qualitative phase with the large-scale, quantitative phase is consistent with the philosophical tradition underpinning the present research, which is in the positivist epistemological tradition, leaning more towards a deductive and quantitative methodology, though not from a radical view. Indeed, as discussed in detail in the next chapter (Chapter 5 – Methodology), the author of the present study believes that there is a relevant role to be played by the exploratory, qualitative work as part of the author's complementary approach to knowledge generation, within that mainly objective view of reality, not least because, by triangulating procedures, it is possible to take advantage of the strengths of some methods to compensate the weaknesses of other methods, this way contributing to improve both reliability and validity (Deshpande 1983).

As mentioned before, despite the growing importance of RQ in the marketing literature, there continues to be significant ambiguity about its nature, determinants and dimensions. Previous research has addressed this issue



predominantly from the buyer's perspective, to a lesser extent from the provider's perspective, but rarely focusing on both sides of the dyad. The buyer's perspective is certainly important; it is the buyer who evaluates the relationship and who decides to repurchase (or not). However, given that relationships are two-way, the perspective of the seller is equally important. Indeed, successful relationships should display a degree of congruence between both buyers and sellers, and, therefore, it is important to explore the quality of the relationship using a dyadic approach. To have the actors of the business to speak for themselves before moving on to the main survey is crucial, not only for exploring issues that are important to the relationship, within the respondents' frame of reference, but to help ensure that the proposed conceptual framework is addressing the relevant aspects (Deshpande 1983). Moreover, the simultaneous perspectives of both parties may be of great value, not least because it allows for a degree of triangulation in empirical evidence. More generally, this exploratory, qualitative phase of the research aims at getting a 'first hand', 'lived' account of the phenomena at hand, while being open and alert to any issues that might emerge, both expected and unexpected, before moving on to a more extensive, systematic, and rigorous investigation. Indeed, and to quote Shah and Corley (2006, p. 1824), 'the primary benefits of qualitative methods are that they allow the researcher to discover new variables and relationships, to reveal and understand complex processes, and to illustrate the influence of the social context'.

Consistent with the research context for this project - i.e. a business-to-business (B2B) services environment in which the relationships between partners is mainly based on person-to-person interactions between key individuals representing firms - the adopted qualitative approach involved a series of 'face-to-face' semi-structured interviews (see interview guides in Appendices 1 and 2) with a sample including hotel representatives and their counterparts in corporate clients, as detailed later in this chapter. Corporate clients were chosen for this study also because they are considered the segment that presents more potentialities for repeat business (Yelkur and DaCosta 2001), an assumption that would be subsequently corroborated by interviewees. Taking into consideration the considerations presented above, the interviews were used as a tool for:

- Exploring the nature of RQ in the specific context of the relationships between representatives of hotels and their counterparts in corporate clients, namely to assess the role of social bonds, building on the contribution of the previous chapter;

- Helping inform the development of the proposed model, in terms of what constructs should be included as determinants and dimensions, how do the constructs interact with each other, and how do they influence RQ;
- Helping the preparation of the quantitative phase, namely by ensuring that all relevant questions are included in the main survey.

Having introduced the exploratory, qualitative component of this research, the next section characterises its population of interest.

#### **4.2.1 Sampling**

As implied earlier, this exploratory component of the study is based on a sample constituted by representatives of hotels operating in Portugal and their corporate clients. For the purpose of describing the sampling procedures, this sub-section includes some details regarding the characterisation of the hotels operating in Portugal, specifically relating to the corporate segment, in addition to the characterisation presented in the previous chapter. Hotels operating in Portugal can be classified according to the following three types: hotel chains/groups with corporate centres physically separated from the hotels, with designated client managers that have portfolios of clients under their responsibility; hotel chains/groups with designated client managers in each hotel, who also have the responsibility of managing portfolios of corporate clients; and independent hotels without designated client managers, in which that function can be performed by various members of staff (e.g. public relations, commercial director, receptionist).

In case study research, sampling is theoretical, not random (Eisenhardt, 1989). The selection of cases resulted from both theoretical reasons, e.g. to provide examples of the different types of ways hotels approach the corporate segment, and practical reasons, i.e., the adopted dyadic perspective. This approach corresponds to that of 'purposeful sampling', in the words of Patton (1990, p. 169), corroborated by Yin (1994). Purposive and theoretical sampling is a necessary ingredient to ensure rigour in qualitative research (Lincoln and Guba 1985; Shah and Corley 2006). The initial plan was to have three hotels per category (hotels with corporate centres, hotels with client managers, and hotels without client managers) and three corporate clients per hotel. These three clients per hotel/chain were chosen with the co-operation of hotel managers, following the method of typical case sampling, suggested by Patton (1990) as one of the strategies for selecting information-rich cases purposefully. In the final sample, due to fieldwork constraints (namely, some of the firm's

representatives that had initially agreed to participate in the study ended up suspending their participation), one of the hotels with client managers and one of the clients of hotels with corporate centres are missing. The final sample, therefore, comprises eight hotels and twenty-three corporate clients. The eight hotels were numbered 1 to 8 and the corporate clients were labelled after their partners in potential dyads. For example, corporate client A1 forms a potential dyad with hotel 1, and so does corporate client B1; corporate clients A2, B2, and C2 form a potential dyad each with hotel 2, and so forth. Potential dyads, in turn, were labelled after the participants in the dyad, which, in this case and for the sake of simplicity, coincides with how corporate clients were labelled (for example, the potential dyad formed by corporate client C8 with hotel 8 is labelled C8 - see Appendices 3 and 4).

Although hotels 1 and 2 are located in Porto, and hotel 3 in Aveiro (both cities in the North of Portugal), client managers representing these hotels are located in a corporate centre for the North area (Porto). This is due to the approach to the market adopted by the hotel chain that owns hotels 1, 2, and 3, that is, corporate centres physically separated from the hotels, in this case one for the North area, and another one for the South area. Hotels 4 (located in Coimbra, Portugal's midland) and 5 (Porto) are represented by client managers located in each of these hotels. Again, this is due to the chosen market approach on the part of the owners of hotels 4 and 5, that is, to have a designated client manager in each hotel. Hotels 6, 7, and 8 do not have designated client managers. They belong to the third type of hotels mentioned in the beginning of this section, in which the contact with clients is carried out by various employees. In terms of the participants in the interview phase, and as far as hotels are concerned, interviews were conducted with client managers representing hotels 1 to 5, the general manager of hotel 6, the public relations for hotel 7, and a receptionist of hotel 8. During these interviews, the representatives of hotels indicated a person in each of their corporate clients to be subsequently interviewed. Designated client managers were able to name a key contact in each firm, typically senior staff (e.g. purchasing director, marketing director, general manager), whereas representatives of hotels 6, 7, and 8 had more difficulties in naming somebody to be interviewed in each of their corporate clients, opting for indicating administrative/secretarial staff.

Having characterised the sample that serves as the basis for the exploratory phase of the research, the next section is concerned with the interview procedures.

#### **4.2.2 Interview Procedures**

The interview guides or scripts that helped with the collection of data in the exploratory phase of the study were intended to work as a mere systematisation (or rough 'navigation guide', or broad question outline) of the aspects explored in the interviews, and were developed in such a way to allow interviewees to speak about the issues that are important from their perspective. The scripts were built as a list of general but relevant areas, serving as a reminder of the key topics to be explored, rather than a rigid schedule or protocol (Kvale 1996). In addition, the interviews were carried out bearing in mind that to interpret phenomena 'through the eyes' of those being studied is probably the most fundamental characteristic of qualitative research (Bryman 2000), and that it is crucial to let the relevant issues emerge from the analysis, rather than presupposing in advance what those issues will be (Patton 1990). While the interview format allowed for flexibility in terms of what might emerge from the interviewees' answers (Kvale 1996), the scripts, used as a general guide, served to outline the issues to be explored, as well as to help the researcher in using time and other resources available to cover all the relevant issues in an effective and rigorous way (Arken 2002; Patton 1990).

To be successful in using interviews to collect data, careful attention must be dedicated to both building and using the interview scripts. Interviewees experience some discomfort and, in some cases, risks in participating in the research (Kvortnik 2003). For example, in the case of the present research, these issues were perceptible, with both the hotel client managers and the corporate clients always complaining about the lack of time and the inconvenience of interrupting their planned work routine. Also, some anxiety was evident in relation to the risk that respondents could face for answering to questions relating to the people and organisations with whom they work (clients, competitors, colleagues, superiors, etc.), which may explain the fact that it was not possible to obtain agreement from any of the organisations involved for the purpose of tape-recording the interviews. It is then perfectly understandable that a cautious attitude may be adopted in the initial response to the questions during an interview (Douglas 1985; Pool 1957). Therefore, the interviewer needs to create an atmosphere of trust, understanding and empathy, allowing the respondents to feel comfortable to speak frankly about their experiences and thoughts (Douglas 1985; Miller and Glassner 2004), in order to motivate the discussion of issues pertinent to the study (Holstein and Gubrium 2004). To reach such a climate, in which people talk naturally about important issues in a

conversational ambience (Arken 2002), establishing and maintaining rapport is an essential component (Miller and Glassner 2004; Patton 1990). Rapport means to be clear about the questions asked and recognise that the interviewees' knowledge, experiences, and feelings are important (Patton 1990). Clarity of questions means to use language that is part of the interviewee's frame of reference (thus understandable), and contributes to improve the quality of the data collected (Patton 1990). Building rapport means, therefore, to be able to look at things from the interviewee's perspective, while maintaining neutrality regarding the content of the answers, as well as avoiding being judgemental during the interview (Miller and Glassner 2004; Patton 1990), although the researcher's personal experiences play an unassailable and valuable role in the interpretation of phenomena (Arken 2002; Shah and Corley 2006). In the words of Patton (1990, p. 354), 'the purpose of a research interview is first and foremost to gather data, not change people'.

In order to establish rapport it is important that, at the beginning of the interview, the interviewee already has some information about the interviewer, the purpose of the interview, and the relevance of his/her participation in the study, as well as guarantees on confidentiality (Kvale 1996; Kvortnik 2003; Thompson et al. 1989). The protection of informants' confidentiality, for instance, is regarded as one of the elements needed to ensure the trustworthiness of qualitative research (Lincoln and Guba 1985; Shah and Corley 2006). It is also important that the interviewees have access to interview guides in advance, which was the case in this study (see interview guides in Appendices 1 and 2). In the case of the present research, these issues were settled in advance, during the process of arranging the meetings with both the corporate clients and the hotel managers. The order of questions should be also considered. Non-controversial questions should be used in the beginning - for example, the opening questions in both the client's script (What hotel services are considered the most important to your company?) and the client manager's script (What are the key determinants of success of your business?) - whereas questions that could be seen as more delicate should be left until a later moment, when the interviewer is expected to have built an atmosphere of empathy and trust with the respondent (Rubin and Rubin 1995). Although there are no questions in the interview guides that could be considered particularly sensitive, care was taken in order to assure that the first questions in both scripts are easy and non-controversial (Berent 1966; Patton 1990). As mentioned earlier, though the interview guides are different, a considerable number of questions/prompts are common to both client and hotel manager

scripts. Moreover, although the main focus of the qualitative analysis was on helping to inform the development of the proposed RQ model, the interview guides also included a range of questions deemed necessary to explore the nature of people-based marketing relationships in an inter-organisational context. Examples are question 5 in the corporate client's interview guide (Think of the hotel your company uses the most: How does the relationship work?), and question 14 in the client manager's interview script (Think of a particular client: How does the relationship work?) and their respective prompts. In addition, the hotel manager's script contains a larger number of questions with the purpose of helping to describe the contextual setting as thoroughly as possible, while the client's script is primarily focused on the objectives of the present research. It was felt that hotel managers are in a privileged position to provide a reliable description of specific aspects of their business in general, and particularly in the context of the relationships with corporate clients. Questions such as question 2 (What are the functions performed by Account/Client/Relationship Managers?) or question 7 (How frequent are the purchases of corporate clients?) are examples of specific issues that hotel managers are in a better position to explain. The same applies to questions 3, 5, 8, 10, and 11 in the client manager's script (see Appendix 2). On the other hand, the client's script (see Appendix 1) covers all the relevant issues pertaining to the aims of the present research, and includes questions that have their counterparts in the hotel manager's script. Indeed, questions 1, 2, 3, 4, 5, and 6 of the client's interview guide reflect questions 4, 9, 6, 13, 14, and 15 of the hotel manager's script, respectively. In most cases there is perfect match between both scripts, for example question 2 in the client's script (What aspects does your company value the most in a hotel in order to stimulate i) loyalty; ii) repeat business; iii) good word-of-mouth?) and question 9 in the client manager's script (In your opinion, what aspects corporate clients value the most in order to stimulate i) loyalty; ii) repeat business; iii) good word-of-mouth?). In those cases where questions do not show exact matching, prompts/probes are included to help establishing the parallel, for comparison purposes. For example, taking into consideration that the constructs potentially relating to RQ, and possibly eligible for the development of the proposed model as dimensions and determinants, constitute a nuclear aspect of the whole study, prompts were included in both scripts to explore these issues (question 4 in the corporate client's script, question 13 in the client manager's script). These constructs were identified from the literature on modelling RQ as described in the previous chapter.

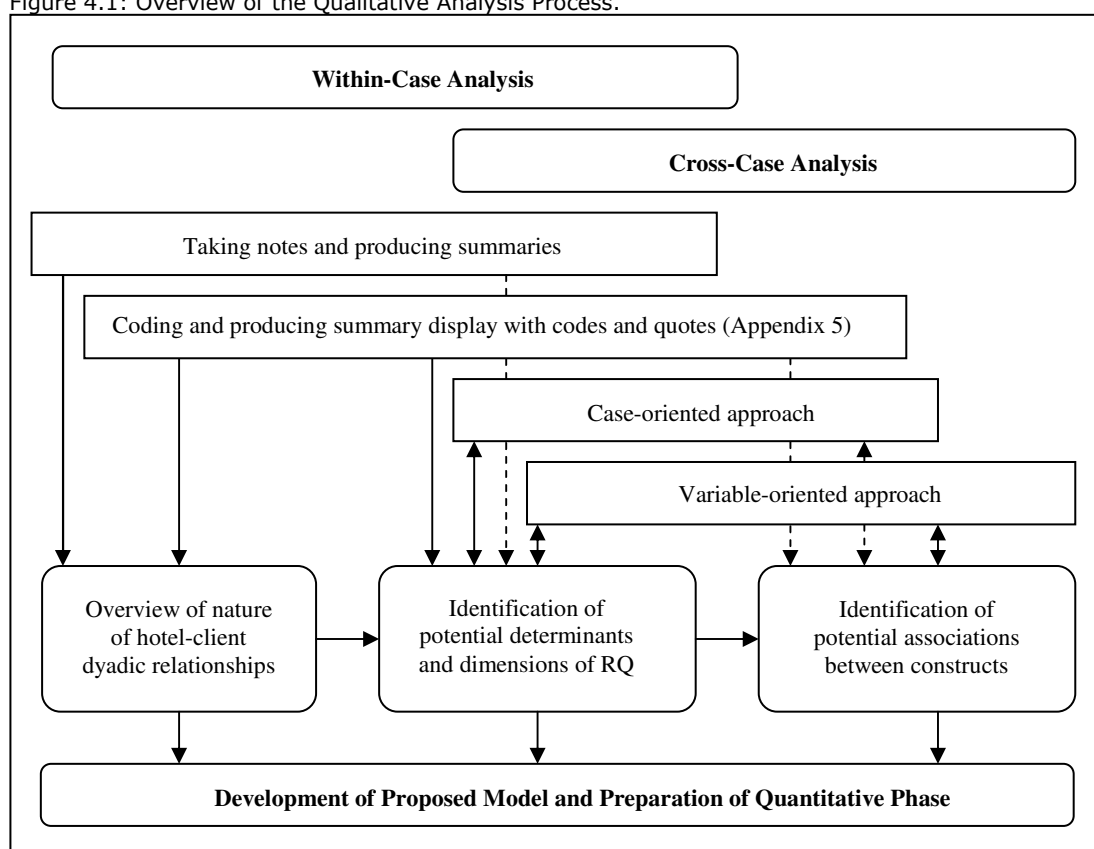
In accordance with the exploratory nature of the qualitative phase of this research, the interviewing procedure was regarded as an on-going learning process, in which the knowledge obtained from each answer would be used to ask the following questions in the most effective way (Kvale 1996; Miles and Huberman 1994). Questions included in the interview guides are viewed as mere latent topics, rather than an *a priori* categorization that could constrain the empirical materials obtained (Fontana and Frey 2000). For example, despite the fact that the construct of satisfaction has been consistently modelled in the literature as a dimension of RQ (with only 2 exceptions out of 22 studies), no distinction was suggested in the interview guides in terms of satisfaction working as determinant vs. dimension. The same applies to the rest of the constructs. This decision was made bearing in mind that the scripts only intended to motivate rather than to influence the interview process, so that the role of the concept of satisfaction may emerge (or otherwise) from the interviews, depending on the interviewees' opinions. Likewise, (latent) prompts were included in this study as mere 'navigation tools', which are used only when necessary, and only to trigger the discussion rather than to influence the interviewees' answers. Indeed, prompts were not always needed. Sometimes prompts were not used because themes emerged naturally; in other occasions, they were cancelled because the interviewee's answers rendered prompts meaningless. This intended to allow for the interview process to develop in a natural, free, and spontaneous manner, so that the interviewees could describe their experiences in detail (Berent 1966; Thompson et al. 1989). In effect, the interviews were conducted in such a way that unexpected topics would be approached as they emerged (Patton 1990), with the used questions and prompts being submitted to the course of the dialogue, rather than imposed (Thompson et al. 1989). Therefore, taking also into consideration that the interviewees' answers are permanently being assembled and modified, the data collected is not supposed to be evaluated in light of any pre-determined objectives, but in the context of the whole interviewing process (Holstein and Gubrium 2004). Finally, the closing questions in both interview guides allow for a final say on the part of the interviewees, should new insights and unexpected issues emerge (Patton 1990).

Having described the approach adopted to the interviewing process, the next section is concerned with the strategy adopted for analysing the data collected through the interviews.

### 4.2.3 Analysis Strategy

Broadly stated, the research strategy adopted in this phase of the investigation is case study, which is 'most appropriate in the early stages of research on a topic or to provide freshness to an already researched topic' (Eisenhardt 1989, p. 548) or to contribute for 'testing, refining, and building theory' (Shah and Corley 2006, p. 1832). A multiple case approach was deemed necessary in order to prevent the risk of bias potentially associated to the idiosyncrasies inherent to a single case. The number of hotels determined the number of cases, and the number of corporate clients determined the number of potential dyads. As each hotel is considered a case and corresponds to three corporate clients, this resulted in eight cases and twenty-three potential dyads (given that one of the hotels with client managers and one of the clients of hotels with corporate centres are missing, as mentioned earlier). The analysis of the collected data was carried out at the level of potential dyads and in two phases, i.e., within-case analysis and cross-case analysis (Eisenhardt 1989; Miles and Huberman 1994). Although within-case analysis occurred typically as the first phase of the analysis, in some stages of the process both phases occurred simultaneously. Figure 4.1 presents an overview of the analysis process.

Figure 4.1: Overview of the Qualitative Analysis Process.



Source: Author.



The purpose of within-case analysis is to get a first insight on each case, before moving on to the identification of patterns across cases (Eisenhardt 1989; Patton 1990). Taking into consideration that it was not possible to tape-record the interviews, and in order to get a first but important idea of what had been discussed (Arken 2002), a summary was produced immediately after each interview. To this end, efforts were made both to take as many and accurate notes as possible during the interview meetings with both clients and hotel managers and to leave enough time between interviews. Therefore, 'quotes' refer to interview notes, which were made in Portuguese and then translated into English. After 'transcribing' each of the first interviews – first interview with a client and first interview with a hotel client manager – the process of coding was immediately initiated, and this procedure was maintained throughout the interviewing period, whenever possible (the minority of cases where this was not possible were treated after the interviewing period was finished). Coding means to associate a class of phenomena, or a label (i.e. to attribute a code) to a passage of text (Miles and Huberman 1994; Patton 1990). The coding procedure included codes derived from the literature review carried out in the previous chapter, which identified the relevant constructs associated with RQ, and was consistent across all the interviews, following Miles and Huberman's (1994) recommendations. For data reduction purposes, to make sense of substantial amounts of raw data (Patton 1990) in order to facilitate the general analysis procedure, and, in particular, the cross-case analysis (Eisenhardt 1989), a summary display was produced, including the most representative citations to each code (see Appendix 5).

Regarding the cross-case analysis phase, two main approaches were used: the case-oriented approach, which focuses on one case in depth at a time, to find out whether patterns start to emerge; and the variable-oriented approach, which focuses on one variable at a time across all cases (Lofland and Lofland 1984; Miles and Huberman 1994; Ragin 1987; Runkel 1990). Given the exploratory nature of this component of the research, the former approach was used for the earlier steps of the cross-case analysis. Then, again at the later phase of the analysis, and as soon as patterns started to shape in a relatively consistent manner, both approaches were used simultaneously and in a complementary way. Within these main approaches, several tactics were used, namely, as suggested by Eisenhardt (1989), to look for within-group similarities combined with inter-group differences in emerged/proposed/selected themes (e.g. the potential determinants and dimensions of RQ), as well as similarities and differences between sets of cases (e.g. hotels with vs. without designated client

managers). Analysing the data from different yet complementary ways constituted an attempt to avoid premature or misleading conclusions due to information-processing biases, as well as to contribute to a stronger sharpening of constructs and a more robust substantiation of hypotheses (Eisenhardt 1989).

The combination of within and cross-case analysis may lead to the emergence, not only of themes or concepts, but of possible associations between variables (Eisenhardt 1989). Indeed, it is expected that this exploratory, qualitative work contributes to the development of the proposed model of RQ, by helping to better understand the dynamics, or, in other words, the 'why' behind the emergent links. To this end, it is crucial that theory and data are permanently compared in an iterative process towards the refinement of constructs, as a first step to the shaping of hypotheses (Eisenhardt 1989; Shah and Corley 2006). By using multiple sources of evidence to refine definitions and measures of constructs, the researcher intends to establish, not only the differences between constructs, but also construct validity (Eisenhardt 1989) which, in turn, constitutes an essential criterion for ensuring trustworthiness and rigour in qualitative research (Lincoln and Guba 1985; Shah and Corley 2006). Yin (1994) refers to this procedure as the logic of replication, in which cases that corroborate emergent associations between constructs reinforce confidence in validity, whereas cases that disconfirm the suggested relationships lead to reformulation and refinement. At this stage of the research, the process is more judgmental, in comparison to the hypothesis-testing type of research, 'because researchers cannot apply statistical tests such as an F statistic' (Eisenhardt 1989, p. 544). Statistics and other deductive type of research tools will be used later in the present dissertation, when this study moves on to the quantitative phase, building on this more inductive type of research, which is essential for the accomplishment of the proposed goals.

The above described procedures were applied to empirical materials gathered via interviews with representatives of both clients and hotels. Moreover, in accordance with the present qualitative study's dyadic approach and in coherence with the sampling procedure, the collected information was organised according to potential dyads, with the main purpose of identifying and assessing the role of congruence between both parties. The next sections present the results of the exploratory, qualitative phase.

### 4.3 The Nature of People-Based Relationships in a B2B Context

Findings derived from the qualitative analysis showed that representatives of hotels with designated client managers and their corporate clients (that is, dyads A1, B1, A2, B2, C2, A3, B3, C3, A4, B4, C4, A5, B5, and C5) were able to identify individuals that were key in the relationship. In the context of the present research, these key individuals are the client manager representing the hotel and his/her privileged interlocutor/key contact in the corporate client. (It should be stressed that the representative of the firm is the person who interacts with the client manager for purposes such as contract negotiations, complaints, or special requests, among others, and not necessarily the actual guest who uses the hotel facilities). Conversely, in hotels without designated client managers (hotels 6 to 8), client representatives interacted with several hotel representatives and had more difficulties in identifying a key contact, which suggests that social bonds are less likely to develop. This is an interesting finding and a relevant contribution to the characterisation of the nature of B2B relationships from a people-based perspective, for it draws the attention to the crucial role of the presence of a designated client manager, that is, the client's privileged interlocutor/key contact, thereby corroborating the prevalence of the social level of interfirm relationships, as suggested earlier. Moreover, the existence of a designated client manager – and, thus, stronger social bonds – seemed to be positively associated to a higher percentage of clients with a signed contract, suggesting an apparent link between social and structural bonds (see Appendix 3). One explanation for this is the fact that in the two groups of hotels where there are formal client managers, there is evidence of more proactive management of the relationship. The client manager's activities typically include winning and retaining clients, and monitoring levels of satisfaction. One of the most important tasks for client managers' goals is 'animating' contracts, an industry term that is used to describe a process of increasing the volume of business associated with a particular contract. In effect, results of the interviews demonstrate that the percentage of signed contracts with corporate clients is very high (close to 100% in some cases) in hotels with designated client managers, and very low (close to zero in some cases) in hotels without designated client managers. This is consistent with previous findings stressing the association between strong social bonds and commitment to maintain the relationship (Wilson 1995). In addition, evaluations of RQ, propensity for recommendation, expectation of future interaction are higher for those hotel-client relationships where there are key contacts and contractual links. These apparent associations constitute interesting evidence too, and should be further investigated.

Of particular significance is the high degree of congruence between the perceptions of both sides. When discrepancies did arise, they tended to be more evident in those cases where social and structural bonds appeared to be weaker (see also Vieira and Ennew 2004; Vieira et al. 2004). The high degree of congruence found in pairs including hotels where there are designated client managers (hotels 1 to 5) is also an important finding and suggests three major implications for subsequent discussions. First, it strengthens the reasonableness of looking at those pairs as dyads (and vice-versa in relation to the remaining cases). Second, it gives an indication of the type of population of interest for the main survey (i.e., corporate clients of hotels with designated client managers). Third, it offers support for the chosen unit of analysis (the relationship between the representatives of the corporate client and the hotel, as perceived by the client), and for the correspondent quantitative approach on the corporate client only, as detailed in the following chapters.

In this context, the next section is concerned with the constructs potentially associated with RQ and possibly eligible for model development purposes.

#### **4.4 Proposed Relationship Quality Key Constructs**

The following sub-sections contain the constructs proposed for integrating the RQ model, based on the patterns emerged from the combination of literature and the opinions of representatives of both hotels and corporate clients, with no reference to the separation between determinants and dimensions. This distinction is going to be presented in the next section, which details the role of each construct in the model.

##### **4.4.1 Commitment**

Empirical evidence suggests that the majority of both clients and hotel managers acknowledge the importance of commitment, in line with the idea conveyed in the literature that commitment is considered a fundamental component for the success of relationships (Berry and Parasuraman 1991; Dwyer et al. 1987; Gundlach et al. 1995; Morgan and Hunt 1994; Perrien and Ricard 1995). For example, the representative of corporate client B4 mentioned:

'...we like to feel that our account manager in the hotel is really interested in solving our problems, that she shows that our partnership is important for them, that she makes everything possible to improve our partnership...' [corporate client B4]

The client manager representing hotel 4 seemed to corroborate this idea:

'We don't take our clients for granted; we show them day by day that they can count on us'. [hotel 4]

Another interviewee said:

'We like her both as a professional and as a person, she knows how to maintain a nice mood between us, she makes us feel important, and we do our best to correspond' [corporate client A3]

The above mentioned opinion of the representative of corporate client A3 seemed to be in line with what the respective client manager (representative of hotel 3) said:

'...everyday I ensure that my clients know that I'm always there for them, whatever the kind of help they need from me...' [hotel 3]

These pieces of empirical evidence seem to reflect the emotional, socio-psychological aspect of commitment, often mentioned in the literature (Bansal et al. 2004; Cook and Emerson 1978; Emerson 1981; Fullerton 2003; Roberts et al. 2003). As a rule, a high degree of congruence was found among clients and hotels (see Appendices 4 and 5) about the importance of commitment, even in relation to hotels without designated client managers (hotels 6 to 8). This reinforces the need for commitment, defined as the parties' firm and consistent motivation to maintain a certain relationship that is valued by them (Moorman et al. 1992), to be considered eligible for the development of the RQ model.

#### **4.4.2 Satisfaction**

The importance of the concept of satisfaction was also highlighted by respondents' opinions (see Appendices 4 and 5). In effect, both clients and hotel managers, considered buyer's satisfaction with the client manager's performance a major element of the quality of a relationship. As a client manager put it:

'We know that we cannot keep a client by just being friends with each other; if our service is not professional and effective we'll lose the client' [hotel 2]

This statement by the client manager representing hotel 2 was corroborated by one of his key contacts in firms:

'We intend to use their services as long as they keep their good level of service' [corporate client C2]

Another client manager (hotel 3) explained:

'I know that my clients are always analysing every little detail in me. They like me because they like the way I treat them... my clients are used to a certain level of excellence in my performance, and I do everything possible not to let them down. For instance, I try to do everything for my clients but I never compromise myself with things I know I'm not going

to be able to do for them, because, the minute I fail, I'm going to ruin an image that took me so much time and effort to build'. [hotel 3]

Corporate clients seem to second the idea that satisfaction corresponds the perceived assurance in relation to the salesperson's future performance, considering that past performance has been consistently satisfactory (Crosby et al. 1990). For example, a firm's representative reported:

'We fell very reassured in relation to our account manager, because she knows how to do things right. I don't recall any situation in which she didn't correspond to our needs, contrary to other situations that I've had with other hotels...' [corporate client B3]

Two other client representatives observed:

'I feel happy when I feel that we've made a good deal and everybody is happy...' [corporate client A1]

'...we are a bit disappointed with this hotel, we're a bit unhappy with their performance in some occasions, so we don't expect much from them now...' [corporate client A7]

These statements seem to reflect the affective component attributed to satisfaction, along with the cognitive one, as dissatisfaction can be said to mirror the disappointment experienced immediately following a disconfirmation episode, which, in turn, can influence purchase attitudes (Westbrook 1980). In light of these insights, taking into account the congruence between respondents (even in case of dissatisfaction, the importance of this construct was highlighted), the concept of satisfaction, defined as the assurance, perceived by the buyer, regarding the service provider's future performance, given that past performance has been consistently satisfactory (Crosby et al. 1990), can be considered of critical relevance and, thus, eligible to be included in the model to be developed.

#### **4.4.3 Trust**

Analogous to commitment and satisfaction, practically all participants agreed on trust being an essential ingredient for successful relationships (see Appendices 4 and 5). Indeed, the crucial importance of trust for the good quality of relationships is virtually consensual in the literature (Dwyer et al. 1987; Moorman et al. 1992; Morgan and Hunt 1994; Roberts et al. 2003; Schurr and Ozanne 1985). As an interviewee stressed:

'If our interlocutor in negotiations isn't able to gain our trust, it's very unlikely that we get to the point of signing contracts...' [corporate client A1]

The representative of corporate client B3 was even more direct:

'In any business, the most important asset is trust, not financial power, status, quality awards, or any other kind of supposed competitive advantage...' [corporate client B3]

Hotel managers seem to corroborate clients' feelings about the importance of trust in the salesperson. For example, the client manager representing hotel 3 explained:

'Clients don't know my organisation, they know me; they don't talk to the hotel chain, they talk to me. I represent the hotel... the hotel chain is too abstract for them, so, for the client, I am the hotel. So, how can you talk business with somebody you don't trust? I wouldn't. So if I want my clients to talk to me, first I have to deserve their trust...' [hotel 3]

Another client manager added:

'If you're not able to conquer the client's trust, you're not even going to get them to listen to you, let alone to close any deal whatsoever with them...' [hotel 1]

The importance of trust is also found *a contrario*, as some of the firms' representatives pointed out:

'... you cannot trust somebody who has failed to keep his promises, can you? I'm not saying that we won't do any more business with them, but we're certainly going to be a bit more cautious' [corporate client B7]

'...I can understand that they are under pressure because of their commercial goals, but if we are to continue to do business with the hotel, they have to be completely honest with us.' [corporate client A6]

These excerpts from the empirical materials seem to underlie the fundamental role of trust, defined as the ability and willingness to rely on the salesperson's integrity and behaviour so that the long-term expectations of the buyer will be met (Crosby et al. 1990; Moorman et al 1992; Morgan and Hunt 1994). They seem to point also to the frequent association between trust and the interpersonal relationship between buyers and their key contacts in firms, due to specific characteristics of services, such as intangibility and simultaneity, in line with the idea that the success or failure of relationships depends strongly on the way relationship managers act (Bejou et al. 1998). Again, the high level of agreement within respondents, regardless of the existence of designated client managers, is noteworthy and strengthens the crucial role of trust in the quality of buyer-seller relationships.

Taking into account the foregoing discussion, the constructs of commitment, satisfaction, and trust, often referred to as building blocks of RQ, were considered eligible for the model development phase. The discussion proceeds with the other constructs suggested by the combination of the contributions of both the literature and the qualitative empirical evidence.

#### **4.4.4 Mutual Goals**

Contrary to what was observed in relation to the previous three constructs, the interviewees' opinions regarding the importance of mutual goals are not consensual (see Appendices 4 and 5). Instead, in the case of mutual goals there is a more evident separation between dyads including hotels with designated client managers vs. dyads including hotels without designated client managers. While the dyads with designated client managers exhibit unanimity about the high importance of mutual goals, dyads including hotels without designated client managers reveal mixed results, in terms of both opinion congruence and importance attributed to the concept of mutual goals. Indeed, in dyads including hotels without designated client managers, there is some discrepancy between the opinions of hotel vs. corporate client representatives, with hotel representatives attributing higher ratings to the importance of mutual goals than their counterparts in firms. One interpretation is that this has probably to do with the existence of closer relationships in dyads with designated client managers - and, therefore, a higher level of opinion congruence - which might influence client's perceptions of several aspects pertaining to the relationship, in line with the findings reported earlier in this chapter. This piece of empirical evidence also corroborates the idea that the presence of a designated client manager can make a difference in terms of the parties' perceptions of RQ and its determinants and dimensions.

Regarding dyads formed by hotels with designated client managers and their counterparts, consensus on the importance of mutual goals was found. This is consistent with the widespread idea in the literature on buyer-seller relationships, namely in the relationship marketing (RM) area, according to which successful partnerships are collaborative in their nature, implying that working towards mutual goals is important (Anderson and Weitz 1989; Bowen et al. 1989; Cann 1998; Evans and Laskin 1994; Heide and John 1992; Kumar et al. 1995a; Kumar et al. 1995b; McQuiston 2001; Tzokas et al. 2001; Wilson 1995). Both designated client managers and their counterparts in firms seem to be aware of, and agree on the importance and advantages accruing from mutuality of goals. Reporting on her relationship with corporate clients' representatives, one of the client managers (hotel 5) commented:

'...we think the same way about business...' [hotel 5]

Her counterpart in corporate client B5 corroborated this thought:



'...things work well between us because we both know that this is business and we have to deliver - it's as simple as that. We're both businesswomen, we work in different sectors but the way to do business is the same...'. [corporate client B5]

Another interviewed client manager added:

'...we work together towards a win-win result...' [hotel 1]

Judging by some of the opinions expressed by clients' representatives these views seemed to find echo on the firms' side:

'If a good business is a good business when it is a good business for everybody, then a good partnership is a good partnership only when it is a good partnership for everybody. In my opinion, that's the kind of partnership we have with them.' [corporate client B1]

'We feel that they take our interests into account and try to match their interests with ours when making decisions'. [corporate client C4]

The above mentioned opinions are in line with the idea that a relationship is justified when there is goal match between the provider and the consumer (Cann 1998). Conversely, parties with their own, often conflicting, individual agendas tend to adopt more adversary than cooperative behaviours (Heide and John 1992). It is therefore important for both buyers and sellers to understand that their inputs are crucial for developing and maintaining successful relationships (Evans and Laskin 1994). The existence of mutual goals provides an adequate environment for sharing values and for non-opportunistic behaviours, which, in turn, lead to the possibility of profiting from being in a certain relationship (McQuiston 2001). In the words of a client:

'We need to know that on the other side they understand our points of view and are willing to bring together the points of view both sides, that they do their business and we do our business as well.' [corporate client C4].

The efforts toward the achievement of mutuality of goals emerge as soon both parties realise that they have more to gain in behaving cooperatively rather than opportunistically (Bowen et al. 1989). In this context, the concept represented by the construct mutual goals, defined as the degree to which parties share goals that can only be achieved through joint action and the maintenance of the relationship (Wilson 1995), seems to extend concepts like similarity of values, co-production, opportunism or conflict, for it points to a process in which both parties work as equals toward the definition of a common long-term achievement. Hotel managers seem to correspond to this idea:

'...we like to think of our clients not as clients but as business partners...' [hotel 4]

'...the ideal situation is when they help us delivering the service... that they are using! ...and this is just an example of the atmosphere of mutual success that we proactively try to create between our clients and us. Another example is when we arrange meetings with our clients with the specific purpose of knowing what we expect of each other, or, if you will, to

set commercial objectives. Clients seem to value this and, at the end of the day, if you get what you agreed, everybody is satisfied.' [hotel 5]

The above remarks concur to support the importance of mutuality of goals and offer support for the decision to add mutual goals as eligible for integrating the RQ model to be proposed in this study.

#### **4.4.5 Communication**

There is a high degree of consensus on the crucial importance of the concept of communication within hotels 1 to 5 and their corporate clients, contrary to what happens regarding hotels without designated client managers and their corporate clients, although in the latter group there were no representatives attributing low importance to communication (see Appendices 4 and 5).

The consensus emerged in dyads formed by hotels with designated client managers seems to corroborate the importance of communication in buyer-seller relationships expressed in the literature (Lindgreen and Crawford 1999; Miles et al. 1990; Perrien and Ricard 1995; Sheth 1976; Williams and Spiro 1985; Williams et al. 1990). One of the facets of this importance is that, sometimes, participants in relationships are not fully aware of the advantages of a relational strategy, and communication plays a crucial role in contributing to enhance that awareness (Vieira and Ennew 2004). Relationship managers are marketers, even if they don't belong to the marketing department (Veloutsou et al. 2002), and have an important responsibility in establishing the link between the client and the organisation (Boles et al. 1997). Communication exerts a positive influence on the client's perception about a relationship manager (Williams et al. 1990).

The interviewed client managers seem to be conscious of the importance of communication. For example, within the dyad formed by the representative of hotel 3 and her key contact in firm C3, there seems to be a high degree of congruence about this matter. The client manager indicated that:

'[to communicate is to] know where they are and try and maintain communication all the time (...), the special attention, the 'spoiling' (...), to maintain a pleasant communication for them to know that they can count on us...'. [hotel 3]

The corporate client's representative seconded this opinion:

'If they have everything but don't have the ability to communicate with us, in a sympathetic/cordial manner, I don't think they'll be successful with us or any other client.' [corporate client C3]

In addition, to quote the client manager in hotel 1:

'An account manager with no communications skills is in the wrong business (...) even if he's a genius (...) in the hotel business or whatever business... it just doesn't work, if you don't know how to deal with people...'. [hotel 1]

In the same way, one of the privileged interlocutors of hotel 1's representative stated:

'We like to be considered both as business partners and as persons (...) I am not a number, we're not robots, so I expect everybody to talk to me as friendly and respectfully as I talk to everybody.' [corporate client B1]

Another client warned:

'...the way you say things is as important as what you say...' [corporate client B5]

This is consistent with the idea that just as important as the type of information that is conveyed is the way it is disclosed. Indeed, several authors suggest that the quality of the interaction depends basically on the compatibility between buyer and seller in terms of both content and style of communication (Miles et al. 1990; Sheth 1976; Williams and Spiro 1985; Williams et al. 1990). The quotations presented above seem to emphasise the style component of communication, as the following opinions on the part of hotel representatives reinforce:

'We must show the clients that we're there for them, that they can count on us, and that we do it with enthusiasm.' [hotel 5]

'Sometimes we can't do exactly what they want, we have to say 'no', but still we have to maintain a nice and professional tone when we say 'no'... clients are clever and respect somebody who knows how to say 'no' without damaging the level of dialogue.' [hotel 2]

Accordingly, this study's approach to the communication construct emphasises its style component, in line with previous research (e.g. Williams and Spiro 1985) and also because the content element is covered by other constructs included in the model, such as trust and customer orientation (see also section 5.5.1.1). As mentioned earlier, from the interviews it is also possible to learn that one of the main functions of client managers is the 'animation' of contracts, an industry term that means to take actions towards the increase of business volume associated with signed contracts<sup>1</sup>. These actions include maintaining frequent contacts with clients and little courtesies like offering birthday cakes or flowers in special occasions. Interviews also revealed that frequency of visits plays an important role. As the representative of corporate client C3 put it:

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<sup>1</sup> In general terms, 'animation' refers to the proactive attitude on the part of client managers, aiming at the development and optimisation of portfolios of clients, for example through regularly visiting their clients, suggesting services that best suit clients, promoting their organisations' services in conventions, etc. This concept is also present in other services environments. For example, in banking, there is the GTI concept: Gaining time; Tracing a plan; Inwards to the client.

'...each time they come to visit us (...) we tend to increase our utilisation of their hotels.'  
[corporate client C3]

Indeed, the qualitative empirical evidence seems to reiterate the emphasis on the style component of communication in the specific research setting for this study. From the point of view of hotel representatives, 'animation' and contact frequency are subsumed in communication (hotels 1, 2, and 5). In this context, for the purpose of this investigation and building on a definition by Williams and Spiro (1985), communication is defined as the client manager's ability to use unique combinations of code, content, and communication rules to communicate effectively.

The above described scenario stresses the crucial relevance of communication, which was, therefore, added to the set of constructs considered eligible for the development the RQ model.

#### **4.4.6 Customer Orientation**

The scenario that emerged from the interviewees' answers called for a much broader concept than that of relationship manager's ability to satisfy clients, which was initially proposed and used as a potential prompt/probe during the interviewing process. Indeed, the views of the representatives of both clients and hotels pointed to particular behaviours that relationship managers are expected to assume. For example, there seems to be relatively high congruence among representatives of corporate clients about the opinion that client managers should:

'...ask us what we want first, and then talk about selling her services, not the other way around...' [corporate client C5]

'...think also about our needs when they think about the accomplishment of the hotel's objectives (...) and not just their own...' [corporate client C4]

'We don't need a 'yes man', we need someone who informs us correctly about the pros and cons of each situation' [corporate client B1]

Which seems to be corroborated by the hotel's side:

'[as a client manager I should] explain in detail how our services suit the client's needs'  
[hotel 5]

'[as a client manager I should] put myself in my client's shoes' [hotel 4]

These facets of the relationship manager's behaviour seem to be captured by customer orientation, a construct present in the literature on buyer-seller relationships in general (Kelley 1992; Palmer and Bejou 1994; Saxe and Weitz

1982), and particularly on RQ (Bejou et al. 1998; Bejou et al. 1996; Dorsch et al. 1998; Wray et al. 1994).

Customer orientation is defined in the literature as the degree to which salespeople adopt behaviours aiming at increasing the customer's long-term satisfaction (Dorsch et al. 1998; Kelley 1992; Saxe and Weitz 1982). Sometimes the behaviour of the client manager is not perceived by their counterparts in firms as leading to the buyer's satisfaction, as reflected by the following quotations:

'He's only interest in selling, selling as much as he can – he's not interested in talking business, just selling...' [corporate client B7]

'...with him, it's like this: if we're not careful, we end up contracting more services and spending more money than we should – he's a very aggressive salesman.' [corporate client C6]

This probably also explains why these two corporate clients attributed relatively low ratings to RQ, showing a discrepancy of opinions with 'their' hotels in several issues covered by the interviews (see Appendices 4 and 5).

By influencing the level of buyer's satisfaction, customer orientation also contributes to the relationship's maintenance and quality (Kelley 1992), which is consistent with its frequent utilisation as a key construct of RQ (Parsons 2002). According to Berry and Parasuraman (1991), service providers should focus as much as possible on the customers' best interests, while Saxe and Weitz (1982) further argue that it is not possible to assess the extent to which salespeople are customer-oriented until the moment when a decision must be made between the salesperson's own satisfaction and the customer's satisfaction. In this context, from the respondent's perspective, the concept of relationship manager's ability to satisfy clients seemed to be too narrow to capture the above described set of characteristics, for it refers, as already mentioned, to a subjective self evaluation made by the client manager about his/her own performance. Moreover, the concept of relationship client manager's ability to satisfy clients seems to be subsumed in customer orientation, given that, according to Kelley (1992, p. 33), the latter 'is clearly an important indicator of performance for service employees and organizations'. For these reasons, relationship manager's ability to satisfy clients was dropped, and customer orientation added to the group of constructs eligible for integrating the proposed RQ model.

#### **4.4.7 Relational Net Benefits**

Similarly to mutual goals and communication, the concept of cost/benefit ratio (hereafter referred to as relational net benefits, as explained in this sub-section) gathered more consensus among the opinions emerged from data collected through interviews with hotels with designated client managers and their corporate clients. However, even within the dyads formed by hotels 1 to 5 (that is, hotels with designated client managers) and their key contacts, there was no unanimity in relation to the high importance of this concept, contrary to what was observed regarding the previous constructs (see Appendix 4). This has probably to do with terminology issues, as the expression 'cost/benefit', which was initially included as a potential prompt in interview guides, seemed to be interpreted by respondents as referring to economical instead of relational costs and benefits. Nonetheless, the relational aspect eventually emerged from the interviewees' discourse, as the following quotations reveal. The client manager of hotel 1 commented:

'The hotel industry is a personality business, and when you deal with people, you always have to consider the giving and the taking, just like in your personal relationships' [hotel 1]

A comment corroborated by one of his clients (B1):

'...as long as we're happy with the relationship with them, we'll not use other hotels.' [corporate client B1]

On the other hand, apparently economical and relational benefits and costs sometimes cannot be dissociated, with the latter influencing in some way the former, as the representative of corporate client B2 admitted:

'Sometimes we know that they are not the cheapest, but we don't mind to pay a bit more because we like them...' [corporate client B2]

This thought was seconded by the respective key contact in hotel 2:

'If we maintain a close interaction with the client (...) it's very unlikely, very rare that a client complains about the price.' [hotel 2]

Overall, these statements support the idea that the participation in a relationship lasts as long as there are expectations of receiving the promised benefits (Hennig-Thurau et al. 2002; Morgan and Hunt 1994) – which extend beyond just immediate economic benefits. These relational benefits can range from social benefits resulting from the social bonds that are present in the relationship between the representatives of both the provider and the client (Hennig-Thurau et al. 2002), to the advantages accruing from the will to cooperate in the achievement of mutual goals (McQuiston 2001). This will or motivation to

maintain and develop the relationship may also have to do with the feeling of dependence associated to relational or otherwise investments already done in the relationship (Allen and Meyer 1990; Geyskens et al. 1996; Palmatier et al. 2006; Rusbult 1983). These specific investments are also referred to as nonretrievable investments (Wilson 1995), and may be interpreted as switching or mobility barriers (Dwyer et al. 1987).

What the above mentioned statements, among other opinions of both clients and hotel managers, also reveal is that, what the participants really do is to balance relational rewards and costs, or, in other words, to consider relational *net* benefits, as reflected by the following comment by one of the interviewed clients:

'We must feel that we are getting a satisfactory feedback to our efforts in doing business with them...' [corporate client A4]

In Grönroos's (2000) terminology this would correspond to the balance between perceived benefits and sacrifices. Clients seem to balance these pros and cons of participating in a relationship, and, to stay in it, each party must feel, not only that there are positive net benefits (Corsten and Kumar 2005; Crosby 1989; Ennew and Binks 1998), but that the rewards from the relationship are relatively higher than the rewards that could be obtained from an alternative one (Crosby 1989; Morgan and Hunt 1994). The empirical evidence from interviews led us to conclude that, in the interviewee's perspective, and using language that is part of their frame of reference, the expression 'relational net benefits' is more appropriate to capture the mentioned 'giving and taking' that characterises the interaction between participants in the dyad. Therefore, it was decided to drop the initial expression 'cost/benefit ratio', which revealed to be more associated with strictly economical/numerical aspects of the interaction, to adopt the term 'relational net benefits', and use the latter henceforward. In this context, relational net benefits are defined as the parties' expected net benefits from a relationship (Dwyer et al. 1987), resulting from balancing relational benefits and sacrifices, and considered eligible for the development of the RQ model.

Having looked at the constructs considered as potential key components of the RQ model proposed in this thesis, the next section describes the final stage of model development, which is concerned with the identification of the role of each construct in the model, with particular emphasis on the associations between the constructs.

### 4.5 The Proposed Relationship Quality Model

Subsequently to the above described analysis, Table 4.1 presents the list of the constructs included as potential constituents of the proposed model and their definitions.

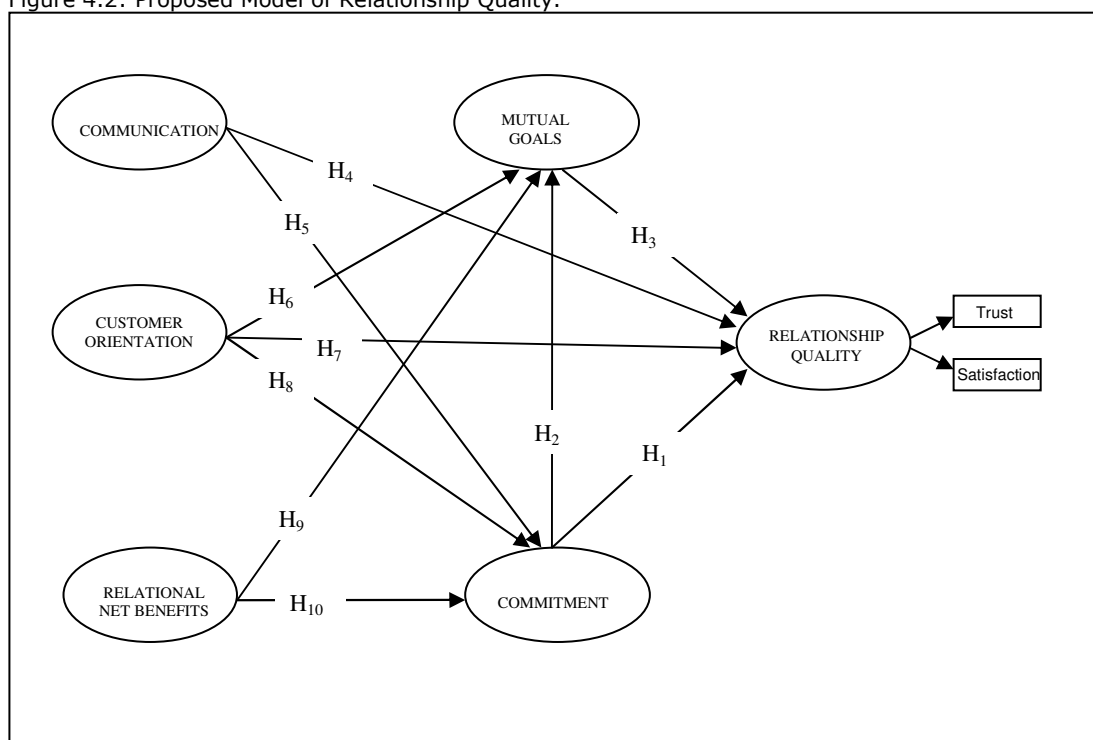
Table 4.1 – Potential RQ Key Constructs Included in the Proposed Model.

Constructs	Definitions	References
Commitment	The parties' firm and consistent motivation to maintain a certain relationship that is valued by them.	(Anderson and Weitz 1992; Dwyer et al. 1987; Fullerton 2003; Gundlach et al. 1995; Hewett et al. 2002; Moorman et al. 1992; Morgan and Hunt 1994; Vieira 2001)
Communication	The ability to use unique combinations of code, content, and communication rules to communicate effectively.	(Williams and Spiro 1985)
Customer Orientation	The degree to which salespeople adopt behaviours aiming at increasing the customer's long-term satisfaction.	(Dorsch et al. 1998; Kelley 1992; Saxe and Weitz 1982)
Mutual Goals	The degree to which parties share goals that can only be achieved through joint action and the maintenance of the relationship.	(McQuiston 2001; Weitz and Jap 1995; Wilson 1995)
Relational Net Benefits	The parties' expected net benefits from a relationship.	(Dwyer et al. 1987)
Satisfaction	The assurance, perceived by the buyer, regarding the salesperson's future performance, given that past performance has been consistently satisfactory.	(Crosby et al. 1990; Naudé and Buttle 2000; Parsons 2002; Vieira 2001)
Trust	The ability and willingness to rely on the salesperson's integrity and behaviour so that the long-term expectations of the buyer will be met.	(Anderson and Weitz 1989; Crosby et al. 1990; Donney and Cannon 1997; Dorsch et al. 1998; Hewett et al. 2002; Ivens 2004; Leuthesser 1997; Moorman et al. 1992; Morgan and Hunt 1994; Naudé and Buttle 2000; Roberts et al. 2003; Smith 1998; Vieira 2001; Walter et al. 2003)

The proposed conceptual framework of RQ that emerged from the combination of literature with qualitative empirical data is presented in Figure 4.2 and will be described in detail in this section. The model includes three exogenous variables – communication, customer orientation and relational net benefits – and three endogenous variables – mutual goals, commitment and RQ (which, in turn, comprises trust and satisfaction as dimensions). This proposed model extends existing models by introducing customer orientation as both direct and indirect determinant, and relational net benefits as an indirect determinant, while continuing to recognise the importance of commitment, communication (with both direct and indirect proposed impacts on RQ), and mutual goals as a direct determinant of RQ.



Figure 4.2: Proposed Model of Relationship Quality.



Although implicit in the nature of the present research, it should be stressed that the hypotheses presented in the next sections refer to the perceptions of the respondents, and that the above depicted proposed model illustrates causal processes rather than causal links between variables. According to Hunter and Gerbing (1982), a causal process is an event that occurs 'either between people or inside people's heads' (p. 267), whereas a variable is 'a procedure for assigning numbers (or other labels) to persons' (p. 282). Variables are, therefore, tools to observe causal processes, that is, changes in variables are used to analyse changes in causal processes. For example, to suggest that commitment has an impact on RQ means that differences in the value of the former are associated with differences in the causal processes, e.g. the impact of an environmental event, that determine the value of the latter for each individual (Hunter and Gerbing 1982). These remarks represent also a word of caution regarding the complexity in addressing causality in most scientific research, and particularly in social sciences, a caveat that becomes highly pertinent when dealing with cross-sectional data, as is the case in the present investigation.

The next sub-sections describe the process of model development, focusing namely on the distinction between RQ determinants and dimensions and how the proposed RQ key constructs connect in the model. Analogous to selecting the

constructs to integrate the model development phase, a common problem is also the identification of the connections between the constructs in the model. Again, the exploratory research, combined with the literature review, represented a major contribution to overcome this difficulty, by allowing the researcher to summarise the most common themes among the original themes generated by the respondents themselves (that is, the representatives of both the hotels and the corporate clients).

#### **4.5.1 RQ Dimensions**

As mentioned in the previous chapter, RQ is defined in this study as 'an evaluation of the personal and business ties linked to an interaction between a buyer and a salesperson in a business setting' (Boles et al. 1997, p. 254). Consistent with this definition and the dominant trend in the literature, for model development purposes in the context of the present research, RQ is viewed as a higher-order construct composed of two dimensions, trust and satisfaction. This is in line with Crosby et al.'s (1990) people-based approach, in which RQ is addressed from the customer's perspective, which, in turn, is predominantly based on employee-customer encounters.

##### **4.5.1.1 Trust**

Trust, one of the first-order constructs of RQ, exists when each party of the relationship believes and relies on the other parties' integrity and reliability (Morgan and Hunt 1994). In marketing studies, particularly in the area of RM, trust is sometimes included as a predictor variable, especially since the publication of Morgan and Hunt's 'Commitment-Trust Theory of Relationship Marketing' (1994). However, it has been mainly used as an outcome variable, namely as a dimension of RQ, as we have seen in the previous chapter. In addition, the way the variable trust is used some times does not produce the predicted results (Wilson 1995). Given that most of the definitions of trust talk about feelings like a 'willingness' [to rely on an exchange partner] (Moorman et al. 1992), a 'belief' [that a party's word (...) is reliable] (Schurr and Ozanne 1985), or an 'expectation' [that another party (...) will fulfil obligations] (Dwyer et al. 1987), and that a feeling can be viewed as an outcome, instead of an exogenous given, it is reasonable to assume that trust may be an outcome as well, i.e., the result of an improvement in the relationship. In this case, and in line with Crosby et al. (1990), as already mentioned in this section, trust is included as a dimension of RQ, the outcome variable of the proposed model. This decision is also consistent with literature specific to modelling RQ: out of the studies including trust, more than 90% used trust as a dimension of RQ (for a

summary on RQ studies, revisit Table 3.1). The results of the interviews provided more empirical support for this decision. The client manager representing hotel 3 said:

'The kind of ambience that exists in the relationship between my clients and myself is reflected in the degree to which we trust one another...' [hotel 3]

The representative of corporate client C3 agreed with the above mentioned opinion:

'...the level of trust between us says a lot about whether or not things are working well between us...' [corporate client C3]

The critical role of trust seems to be stressed by other opinions expressed by actors on both sides:

'...first of all, hotel managers have to demonstrate that they deserve my trust...' [corporate client B2]

'...we cannot talk business with someone we don't trust, can we?' [corporate client A4]

'...first we have to conquer the client's trust...' [hotel 2]

'If my clients believe in my work and trust my word, that is, if they like me, they will use the hotels recommended by me...' [hotel 4]

#### 4.5.1.2 Satisfaction

Satisfaction is defined as the assurance, perceived by the buyer, regarding the salesperson's future performance, given that past performance has been consistently satisfactory (Crosby et al. 1990). Satisfaction has been consistently included in the literature on modelling RQ as a dimension, alongside trust (out of the 22 studies including satisfaction, only two included it as an antecedent, as we have seen previously)<sup>2</sup>. And, indeed, as stated before, good quality relationships imply more than trust between parties. As one of the client managers put it:

'I see the level of my clients' satisfaction as a barometer that tells me all the time about how healthy our relationship is developing and whether or not I am doing things the right way.' [hotel 1]

The other hotel representatives also seem to be aware of this:

'... at the end of the day, everything we do is to keep the client satisfied, isn't it?' [hotel 5]

'My clients are used to a certain level of service, so I work everyday to live up to their expectations, so I always do my best to maintain my good level of performance' [hotel 2]

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<sup>2</sup> The reader is reminded that, as explained in the previous chapter, this refers to 'attitudinal' satisfaction, contrary to 'transaction-specific' satisfaction, which has been suggested as a determinant of, for example, commitment (Gundlach et al., 1995) or relationship quality (Teas, 1993).

The client's side also agrees that concrete actions are needed:

'Of course we like her, but one of the reasons we like her is because of her good level of service, not just because we like her as a person...' [corporate client B5]

'...we'll stay with them as long as they keep their good level of performance...' [corporate client C2].

'...we find our account manager very professional and nice (...), so we're satisfied with our relationship with them...' [corporate client C3]

These opinions seem to be in line with the idea that business relationships are characterised by both professional and social relationships (e.g. Holmlund 2001; Wong and Sohal 2002). However, actors in the hotel industry also seem to make a clear distinction between the social level and the professional level of the relationship. As one hotel representative stressed:

'...we get to know each other and sometimes there's a feeling of friendship or so, but always maintaining the professional level...' [hotel 3]

These quotes essentially address the issue of satisfaction – the notion that client manager's future performance is perceived as satisfactory, given that past performance has been consistently satisfactory (Crosby et al. 1990) - and contribute to support the decision to include it as a dimension of RQ. In this context, trust and satisfaction were included as equally important dimensions of RQ, without a casual relationship between them. This is in line with a pattern of numerous studies identified in the literature on modelling the central construct of interest in the present investigation, as already mentioned in this dissertation (e.g. Bejou et al. 1996; Boles et al. 2000; Crosby et al. 1990; Hewett et al. 2002; Parsons 2002; Shamdasani and Balakrishnan 2000; Vieira 2001; Wray et al. 1994).

Having looked at the dimensions of RQ, we now move on to its determinants, which, in turn, correspond to the hypotheses contained in the proposed model.

#### **4.5.2 RQ Determinants**

##### *4.5.2.1 Commitment*

Commitment can be defined as the parties' firm and consistent motivation to maintain a certain relationship that is valued by them (Moorman et al. 1992). According to Berry and Parasuraman (1991), successful relationships depend on mutual commitment between the service provider and the consumer, while Parsons (2002, p. 7) argues that 'commitment among partners is seen as essential for each party achieving its goals and maintaining relationships'. A

client's representative suggested that the perception of commitment might help to bring together perspectives that at the beginning seemed to be distant:

'...there are situations where, if we feel that the client manager is really willing to work together with us, we tend to be more flexible and try to make our proposals compatible with their proposals...' [corporate client A1]

Conversely, the representative of corporate client B8 warned:

'...they haven't shown any efforts to improve our business relationship and to work for a good deal for both companies, they don't show any interest at all, they just want us to sign the contract at any cost. If they don't change their attitude, it's very unlikely that we end up stretching our flexibility to the point of signing the contract'. [corporate client B8]

This is consistent with some literature (e.g. Anderson and Narus 1990; Palmatier et al. 2007) suggesting that parties work together towards the achievement of mutual goals when they are committed to cooperate. The above quotations seem to be also in line with Morgan and Hunt (1994) who found positive associations between commitment and both acquiescence and cooperation, and a negative association with propensity to leave - as Bansal et al. (2004) also suggested. This apparent association between commitment and mutuality of goals seems to find echo among client managers as well. For example, representative for hotel 1 stated:

'The more the dedication towards the partnership, the sooner we find common grounds to do business...'. [hotel 1]

In addition, Moorman et al. (1992) suggest that parties that are committed to a relationship may tend to adopt a behaviour that leads them to resolve potential differences and to remain coherent to their commitment. Moreover, while Roberts et al. (2003) suggest that commitment to overcome problems inherent to relationships is necessary for a relationship to last, Dwyer et al. (1987) advocate that commitment corresponds to the highest status of relationship bonding. Furthermore, commitment is considered a key element of all organisational interactions (Morgan and Hunt 1994), generally recognised as important in modelling RQ (Roberts et al. 2003). Considering, finally, that commitment acts as a precursor of trust (Lawler and Yoon 1993) and satisfaction (Molm 1991), and represents a strong signal of the parties' perception of the quality of the relationship (Gundlach et al. 1995), the following hypotheses are suggested<sup>3</sup>:

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<sup>3</sup> Author's note: For coherence, consistency, and simplicity reasons, the same format was applied to all hypotheses suggested. To give one example, if commitment is defined as the parties' motivation to maintain the relationship, and mutual goals as the degree of goal sharing that can only be achieved via joint action and the maintenance of the relationship, H<sub>2</sub> implies that the higher the level of commitment (i.e. the parties' motivation to maintain the relationship), the higher the level of mutual goals (i.e. the degree of goal sharing that can only be achieved via joint action and the maintenance of the relationship).

H<sub>1</sub>: The higher the level of commitment, the higher the level of RQ.

H<sub>2</sub>: The higher the level of commitment, the higher the level of mutual goals.

#### 4.5.2.2 *Mutual Goals*

Mutual goals can be defined as the degree to which parties share goals that can only be achieved through joint action and the maintenance of the relationship (McQuiston 2001; Weitz and Jap 1995; Wilson 1995). According to Wilson (1995), the concept of mutual goals and its use as a measurable variable for research purposes is more effective than the concepts of shared values (proposed by Morgan and Hunt 1994) and of norms (proposed by Heide and John 1992), thereby the option in this study was to approach this particular construct from the perspective of mutuality of goals.

A relationship is justified when there is goal match between the provider and the consumer (Cann 1998). The existence of mutual goals offers the right conditions for both parties to benefit from participating in a relationship (McQuiston 2001). As corporate clients C4 and C5 observed:

'If we are to sign a contract, we have to sit down and talk first. As soon as both parties are convinced that that's the best deal possible for both firms, then we sign the contract'. [corporate client C4]

'Sometimes it's not easy to reach an agreement, but when we do, we feel okay, we feel it was worth the effort, because we are happy with the result of negotiations...' [corporate client C5]

Efforts towards mutuality of goals emerge as soon as both partners realise that they have more to gain in behaving cooperatively rather than opportunistically (Bowen et al. 1989). Hotel managers seem to correspond to this idea as well. The representative of hotel 4 stressed:

'Of course we try to persuade our clients that our offer is the best, but we don't want to push negotiations so hard that it could seem like we were trying to take advantage of them; rather we use some flexibility – the bottom line is that we don't want to lose our best clients'. [hotel 4]

Client manager of hotel 5 coincided:

'... although we aren't that much empowered by our administration, we can always use a degree of flexibility in order for both parties to be satisfied after closing the deal' [hotel 5]

The above described scenario seems to point to an association between goal congruence and RQ, in line with previous models suggested in the literature

(Huntley 2006; Parsons 2002; Vieira 2001). This interpretation takes also into account that trust is enhanced when channel partners have similar goals (Anderson and Weitz 1989), and that mutual goals may also enhance satisfaction with both the relationship and the performance of the seller (Wilson 1995). Hence, the following hypothesis is suggested:

H<sub>3</sub>: The higher the level of mutual goals, the higher the level of RQ.

#### 4.5.2.3 Communication

Communication is defined as the client's manager ability to use unique combinations of code, content, and communication rules to communicate effectively (Williams and Spiro 1985). The communication flow between providers and clients is a crucial aspect in relationships (Perrien and Ricard 1995). Communication has been considered the most basic activity during the exchange within a customer-salesperson dyad, essential to the interaction established between the individuals involved (Williams et al. 1990). In addition, it has been suggested that business performance depends on buyer-seller interaction viewed as the level of relational communication (Miles et al. 1990) .

In the context of the present study, several pieces of empirical evidence that emerged from interviews pointed out to the influence that communication abilities and efforts seem to have on the level of commitment between parties, in line with Anderson and Weitz (1992). In the words of two representatives of corporate clients:

'...the more we appreciate our account manager's communication skills, the more we feel motivated to strive for the success of the relationship...' [corporate client B4]

'...when we sense that there is a friendly and open communication between us, we feel kind of obliged to contribute to maintain the best relationship possible...' [corporate client A3]

These perceptions seem to be seconded by the hotel's side:

'we search for empathy between the two parties, behaviour breeds behaviour...' [hotel 3]

'...we try to create an interpersonal interaction as good as possible, hoping to strengthen the interpersonal bonding as much as possible...' [hotel 4]

The above opinions seem to suggest an association between communication and commitment, which, in turn, is proposed as a determinant of RQ (see section 4.5.2.1). In addition, effective communication between parties enhances trust, one of the dimensions of RQ in this study, notably within channel dyads (Anderson and Weitz 1989; Anderson and Weitz 1992; Anderson and Narus 1990; Deutsch 1958; Moorman et al. 1992; Morgan and Hunt 1994; Palmatier et

al. 2007). Furthermore, and according to Roberts et al. (2003), communication has been found as an antecedent of RQ in previous studies. It is, therefore, posited that communication exerts both direct and indirect (through commitment) effects on RQ. Thus, the following hypotheses are posited:

H<sub>4</sub>: The higher the level of communication, the higher the level of RQ.

H<sub>5</sub>: The higher the level of communication, the higher the level of commitment.

#### 4.5.2.4 Customer Orientation

Customer orientation is defined as the degree to which salespeople adopt behaviours aiming at increasing the customer's long-term satisfaction (Saxe and Weitz 1982). Customer orientation plays a particular role in service organisations, due to the absence of tangible cues with which to evaluate the offering (Kelley 1992). To have a customer-oriented selling behaviour is often cited as a prerequisite for the practice of RM (Bejou et al. 1998; Saxe and Weitz 1982).

Highly customer-oriented relationship managers adopt actions that lead to the customer's long-term satisfaction, and avoid opportunistic behaviours that sacrifice customer interest in favour of an immediate sale or a short-term goal (Kelley 1992; Saxe and Weitz 1982). For example, opportunistic behaviour is inversely related to the quality of relationships (Dorsch et al. 1998). One of the hotel managers said:

'We can't force clients to do business with us. What we can do is to show them what's in it for them...' [hotel 1]

In coherence with the opinion of hotel 1's client manager, one of his clients warned:

'...what we have with our account manager is informative dialogue, rather than any kind of pressure from either side – that's what we expect from him... had he taken the wrong attitude, and I guess our motivation to do business with them would disappear...' [corporate client B1]

These quotes seem to reflect a possible association between customer orientation and, not only satisfaction (one of the dimensions of RQ), but also with trust (another dimension of RQ, alongside satisfaction), in line with prior research which suggests that buyers are more likely to trust sellers that are customer oriented (Swan et al. 1985). Another firm's representative commented:



'If we are to commit ourselves to the relationship and do our best to improve it, we must at the same time feel that on the other side there is somebody who understands our needs' [corporate client A3]

The hotel's representative corroborated these opinions, as illustrated by the following comments:

'...clients like to feel that when they pose a question we are really concerned about it and (...) make our best efforts to solve the problem'; '...that there's (...) someone on the other side of the phone (...) for them to turn to in case some doubt comes up' [hotel 3]

This apparent link between customer orientation and commitment has been already suggested, e.g. by Baker et al. (1999), who found empirical support for the link between perceived seller market orientation and buyer commitment.

Moreover, in marketing relationships a high customer-oriented selling corresponds to switching from the 'us vs. them' to the 'we' approach (Hewett et al. 2002), suggesting that customer orientation is closely related to the idea of working towards mutual goals (Tzokas et al. 2001). Individual goals produce norms of competitive behaviour, whereas mutual interests create behaviour that enhances the well-being of the relationship as a whole (Heide and John 1992). As one client representative put it:

'Things only work well when they take our interests into consideration, not just their own. That's why we always take the first step and show them that we consider their interests as well...' [corporate client A5]

On the other side, hotel 5's representative revealed:

'I've been in this business long enough to learn the strategy to make them happy, while simultaneously realising my commercial objectives. It's this simple: first I get them to talk to me, what do they really want, what can I do to give them what they want, then I take a look at my 'toolbox' – meaning, the array of services we offer – and I decide what's best for everybody, hoping that they'll agree with me. This technique rarely fails, even if it takes some negotiation here and there...'. [hotel 5]

This illustrates the adoption of an attitude on the part of the seller that takes into consideration and aims at contributing to the client's satisfaction, in line with the definition of the customer orientation construct in the literature (Dorsch et al. 1998).

In this context, it is posited that customer orientation influences RQ, both directly, in line with previous conceptualisations (Bejou et al. 1996; Wray et al. 1994), and indirectly, through mutuality of goals and commitment:

H<sub>6</sub>: The higher the level of customer orientation, the higher the level of mutual goals.

H<sub>7</sub>: The higher the level of customer orientation, the higher the level of RQ.

H<sub>8</sub>: The higher the level of customer orientation, the higher the level of commitment.

#### 4.5.2.5 Relational Net Benefits

Relational net benefits refer to the parties' expected net benefits from a relationship. Partners stay in relationships as long as there are expectations of receiving the promised benefits (Hennig-Thurau et al. 2002; Morgan and Hunt 1994). These relational benefits extend beyond just immediate economic benefits and range from social benefits, which arise from the social bonds (Hennig-Thurau et al. 2002), to the advantages accruing from the will to cooperate in the achievement of mutual goals (McQuiston 2001). The motivation to maintain and strengthen a relationship may also come from the feeling of dependence associated to specific investments, relational or otherwise, made in the relationship, that may also be interpreted as mobility barriers (Allen and Meyer 1990; Donney and Cannon 1997; Dwyer et al. 1987; Frazier 1983; Geyskens et al. 1996; Han et al. 1993; Palmatier et al. 2006; Rusbult 1983). For the purpose of the present study, which is concerned with the relational dimensions and determinants of RQ, out of the referred investments, the most important are the relational ones, e.g. time, emotional effort, or self-disclosures, also referred to as intrinsic investments (e.g. Rusbult 1983).

To quote a client's representative, who explained how expected relational net benefits might influence the parties' behaviour:

'Sometimes when we feel that we could gain from having a contract with a certain hotel, we don't mind being flexible in turning our business objectives more compatible with the hotel's business objectives...' [corporate client B4]

This brings our attention to how the interaction and the sharing process that occurs between the parties affect the relationship. In most situations, partners need to work together on a systematic basis and not act opportunistically, otherwise the long term success of the relationship could be in danger (Corsten and Kumar 2005). This is consistent with Ulaga and Eggert (2006), who suggest that the existence of social bonds, resulting from the development of interpersonal ties, is associated with a better understanding of each partner's goals. According to (McQuiston 2001), the definition of the benefits each partner is willing to offer to the other partner, as well as the sacrifices it is willing to

accept, and the way they are converted into common practices and goals, determines whether or not parties are likely to take advantage of participating in the relationship. This suggests an apparent link between the concepts depicted by the constructs relational net benefits and mutual goals. The following quotations reflect the aspects that surfaced in the interviews. One of the interviewed representatives of the corporate clients said:

'Sometimes we feel that we invested so much in working with a certain hotel group, that we feel we can't afford not to be flexible and make all efforts possible to bring together both sides' expectations...' [corporate client C5]

On the other side, the hotel representative stated:

'...the more we are aware of the benefits we can expect from working with a certain client, the more we are willing to understand the other side and their perspectives on doing business with us, as long as they make an effort to understand ours...' [hotel 5]

Moreover, it has been suggested that, when a certain provider is considered to be important for the client, the latter will make the effort to maintain the relationship (Frazier 1983; Walker et al. 1977). For example, some literature suggests a positive association between relationship-specific investments and commitment (Anderson and Weitz 1992; Palmatier et al. 2007). In addition to this, and according to Sheth (1994), in most B2B interactions, particularly when benefits outweigh risks, to maintain a long-term relationship is advantageous for both parties, which is consistent with the idea that, the more the relational net rewards, the more the commitment to maintain a relationship (Rusbult 1983). Furthermore, commitment increases when buyers perceive both that they can receive superior benefits from their partnerships (Morgan and Hunt 1994; Mukherjee and Nath 2007), and that the alternatives to their current relationships are relatively poor (Rusbult 1983). As a client's representative stressed:

'The more we expect to gain from engaging in a partnership, the more the effort we put in that partnership, the more the motivation to stick to that partner...' [corporate client B2]

Coherently, the correspondent client manager said:

'...when we spot a good prospect, I mean, a potentially profitable client, we use as much resources - be it people, time, etc., you name it - as we can for the relationship to work, and make everything possible to maintain and improve it...' [hotel 2]

That is, each partner's commitment seems to depend on the motivation for entering into a relationship, which, in turn, is in part influenced by the assessment of expected (intrinsic) benefits and sacrifices (Geyskens et al. 1996).

The preceding discussion seems to suggest that, from the interviewees' perspective, the bottom line is, after balancing benefits and sacrifices, and according to their perception of the level of expected net benefits, they decide on the degree of both commitment to the relationship and the will for working towards mutual of goals (Anderson and Weitz 1992; Rusbult 1983). This is also in line with Dwyer et al. (1987, p. 15), who suggested that discrete transactions may evolve into more durable interactions, which, in turn, might be associated with 'shared goals, planning, and commitment to the relationship'. Therefore, it is expected that:

H<sub>9</sub>: The higher the level of relational net benefits, the higher the level of mutual goals.

H<sub>10</sub>: The higher the level of relational net benefits, the higher the level of commitment.

#### **4.6 Conclusion**

In light of the issues raised in the previous chapters and taking the research goals into consideration, this chapter began by justifying the need for an exploratory, qualitative investigation, before moving on to the main survey. After describing the necessary steps to carry on such a study, results were used to both the identification of the potential key constructs of RQ and their possible associations in the proposed model.

The qualitative analysis highlighted the importance of social bonds, which appear to foster structural/contractual bonds and positively influence the perception of RQ, propensity for recommendation and expectation of future interaction. As far as contractual bonds are concerned, for example, results of the interviews indicate that the percentage of signed contracts with corporate clients is very high in hotels with designated client managers and close to zero in hotels without designated client managers, in line with the alleged association between strong social bonds and commitment to maintain the relationship (Wilson 1995). Of particular significance is also the finding that there is considerable congruence between the perceptions of both parties of the relationship – hotel client managers and their key contacts in corporate clients – especially in dyads including hotels with designated client managers. Among other implications, for example, the crucial role of designated client managers, this finding offers support for the chosen unit of analysis, i.e. the relationship of the dyad – formed by the representatives of the corporate client and the hotel – as perceived by the

client, as well as for the quantitative approach on the corporate client only, as described in the next chapter.

The findings emerged from the analysis of the collected qualitative empirical data implied some adjustments to the RQ constructs initially proposed for integrating the model (e.g. the replacement of ability to satisfy clients by customer orientation), and helped with the clarification of the role of each construct in the model (e.g. the inclusion of trust as a dimension instead of a determinant), thereby highlighting the merits and usefulness of conducting the exploratory study prior to the implementation of the main survey. Moreover, this exploratory component of the investigation, conducted from a dyadic perspective, lends credence from practitioners for the proposed conceptual development, and the integration of qualitative evidence and prior approaches provides strong support for the conceptualisation of RQ and its dimensions and determinants as well as for the way they connect in the model. RQ is conceptualised and operationalised as a higher-order construct composed of two dimensions, trust and satisfaction, in line with Crosby et al.'s (1990) seminal and frequently replicated study. Determinants include customer orientation, commitment, communication (with both direct and indirect proposed impacts on RQ), mutual goals as a direct determinant, and relational net benefits as an indirect determinant. As implied earlier, the process described in this chapter is believed to constitute a stronger approach to modelling RQ, as compared to previous approaches. This is not only because the model was developed in a research setting that provides one of the best habitats for RQ (i.e., B2B relationships in a business setting where services are predominant and where the representatives of both organisations engage in a dyadic interaction), but also due to the dyadic perspective employed in the exploratory, qualitative phase of the study, which is going to be complemented by a rigorous quantitative test, as described in Chapters 6 and 7.

Having looked at the model development process, the next chapter is concerned with methodological issues, also working as a transition to the quantitative phase of the present dissertation, in which the RQ model proposed in this study is going to be tested.

## CHAPTER 5 – METHODOLOGY

### 5.1 Introduction

In this chapter, the researcher addresses the issues concerning the methodological choices, taking into account the research problem and the goals proposed for this study. After reiterating the research objectives, a discussion on research philosophy will be presented, including a debate around the various philosophical perspectives and a statement on the research paradigm stance adopted in this study. Next, the research design will be outlined, with a particular emphasis on the measurement approach, followed by a description of the process of data collection, which will focus on sampling issues. The chapter then moves on to an explanation of the final decisions regarding the implementation of the main survey, and finalises with a characterisation of the sample on which the quantitative component of this investigation is based.

### 5.2 Research Objectives

The previous chapters raised certain questions that need to be answered with the appropriate style and rigour, that is, through the implementation of an appropriate methodology that will answer the questions posed. Both the measurement approach and the data collection method should be consistent with the type of research problem and research questions under investigation. Accordingly, before moving on to the specific description of the choices made in terms of methodology, a brief reminder of the research problem and questions follows.

As detailed earlier in this thesis, relationship quality (RQ) is viewed as a central construct in relationship marketing (RM) and a crucial factor in developing successful business-to-business (B2B) relationships. However, there continues to be a high degree of ambiguity about its nature, determinants, and dimensions. It has been argued that this vagueness may have in part to do with both context dependence and the different levels at which relationships seem to develop. The importance of the social level is highlighted in a significant number of studies on RQ, which can be viewed as a sign of its critical role. This is probably because of its crucial contribution to augment the core product/service, as well as its influence on customer satisfaction with company representatives and perceived value, especially in those situations where the customer perceives that the relationship manager is the 'face' of the company. It has further been argued that success or failure of relationships depends strongly on the performance of

relationship managers. However, in spite of its importance, very little research has looked at the determinants and dimensions of RQ from a people-based, inter-organisational perspective. In response to this insufficiency in the literature, and as stated previously, this research addresses RQ in a services marketing and management setting where B2B relationships, despite occurring formally between organisations, contain a significant interpersonal component. In this context, the research objectives are: i) To explore and characterise people-based relationships and RQ in a B2B context; ii) To identify the relational determinants and dimensions of B2B RQ; and iii) To develop a B2B RQ model from an interpersonal perspective.

Having reiterated the objectives proposed for this study, the following section presents a discussion on the various perspectives in terms of research philosophy, which will then lead to the announcement of the research paradigm stance adopted in this investigation.

### 5.3 Research Philosophy

The different views of society and social relations have an inevitable influence on the way a particular topic is studied in social sciences, and imply an explicit or implicit choice about the philosophical perspectives for carrying out the research. To conduct an investigation always involves the adoption of a standpoint in terms of philosophical assumptions concerning the epistemology and ontology of the research. In other words, a research work is inexorably underpinned by a choice of a research paradigm stance, with implications on both the approach to the research process and the ways in which the data is collected and analysed (Collis and Hussey 2003).

A paradigm, as defined by Thomas Kuhn (1962, quoted in Deshpande 1983, p. 101), is 'a set of linked assumptions about the world which is shared by a community of scientists investigating that world'. The two main research paradigms or philosophies can be essentially labelled *positivistic paradigm* and *phenomenological paradigm* (Collis and Hussey 2003). Table 5.1 presents the basic distinctions between the two paradigms, organised according to the three most important pillars of research philosophy, that is, ontology (the nature of the known), epistemology (the relationship between the knower and the known), and methodology (the process of knowing).

Table 5.1: Positivist vs. Phenomenological Paradigms – Basic Distinctions.

<b>Assumption</b>	<b>Concern</b>	<b>Positivist</b>	<b>Phenomenological</b>
Ontological	Nature of reality	Objective and singular; There is something 'out there', 'things' to be identified, described and classified.	Subjective and multiple; The world is socially constructed.
Epistemological	Relationship between the researcher and the researched	Researcher is independent from what is being researched.	Researcher is part of and interacts with what is being researched.
Methodological	Process of research	Deductive and quantitative; Logico-scientific mode of thought.	Inductive and qualitative; Narrative mode of thought.

Source: Adapted from Collis and Hussey 2003; Gümnesson 2001; Hughes and Sharrock 1997; Tsoukas and Hatch 2001.

As stated, it can be considered that there are two main philosophical bases, which can be said to work as a continuum's polar opposites: positivism and phenomenology. However, within the debate around the issue of research philosophy it is possible to find several streams of thought - tribes, in the words of some authors (see, for example, Becher 1989; Tranfield and Starkey 1998) - in different points in time, with diverse opinions about the same object of analysis. One of the best known sequence of episodes of this debate - to which Kavanagh (1994) refers as 'Hunt vs. Anderson: Round 16', using a boxing match metaphor - began when Anderson (1983) started criticising Hunt's (1983) alleged positivist stance. In short, Anderson advocated critical relativism and rejected the existence of 'things out there' waiting to be discovered, whereas Hunt rejected all forms of relativism and defended his 'positivist' corner, even if adopting different labels such as scientific realism and critical pluralism, the latter apparently suggesting a conciliatory view (Kavanagh 1994). Notwithstanding the valuable contribution of both 'contenders', it has been argued that the discussion had been confined to epistemological issues, and that, from a certain point on, the debate had to move on to issues of ontology and broaden the philosophical discussion (Kavanagh 1994), in line with the idea of a continuum rather than just pure positivism or phenomenology. Indeed, it is plausible for someone to share beliefs from different perspectives, given that the different philosophical schools present some degree of overlapping between their boundaries, rather than being mutually exclusive (Deshpande 1983; Patton 1990).

Moreover, it is possible to find several other designations or labels within, and nomenclature variations around, each of these broader factions. The foregoing and the following paragraphs contain some of those designations. Other examples are 'localism', 'neopositivism', 'reflexive pragmatism', and 'romanticism' (Alvesson 2003). It is possible to note some variability in terminology also regarding the dichotomy between the two main paradigms -



positivist vs. phenomenological - such as objectivist vs. subjectivist approach to social science (Hassard 1995), quantitative vs. qualitative strategies of inquiry and research approaches (Creswell 2003)<sup>1</sup>, and scientific vs. humanistic stance (Collis and Hussey 2003; Hughes and Sharrock 1997), among other designations. The term interpretivist is also used instead of phenomenological, apparently to avoid confusion with a methodology called phenomenology, and allegedly because the interpretative alternative represents a broader philosophical assumption (Collis and Hussey 2003). However, for the sake of rigour and simplicity, in the present dissertation the terms *positivistic* and *phenomenological* are used to refer to the continuum's polar opposites in terms of research paradigms.

A literature review on marketing and, more specifically, on services marketing and RM (not to mention RQ, an even more specific sub-topic in this area), indicates that the vast majority of studies in this field have been conducted from the positivistic stance. Let us take as an example the Crosby et al.'s (1990) 'Relationship Quality in Services Selling: An Interpersonal Influence Perspective' paper – a milestone in this area, and the very paper upon which this study's conceptualisation of the RQ construct was based. In this paper, Crosby et al. (1990) suggest that future sales opportunities between the salesperson and the customer depend mostly on the quality of the relationship between those two parties. In a RM context, a model addressing the nature, antecedents and consequences of RQ, as perceived by the customer, is proposed and tested. A survey research was conducted and the collected data was analysed using multivariate data analysis techniques. The main findings suggest that salespersons' characteristics and relational selling behaviours play a crucial role in shaping and strengthening buyer-seller bonds and converting sales opportunities into sales; and that they are not mere customer contact employees and have the responsibility of managing relationships with customers.

Crosby et al.'s (1990) paper seems to implicitly follow the postulates of the positivist approach, for example, the search for objectivity, causal linkages, generalisation, and the use of a quantitative research approach. Or, in Bruner's (1986) terminology, the adoption of the 'logico-scientific' mode of thinking (Bruner 1986, p. 11, quoted in Tsoukas and Hatch 2001, p. 982). The paper seems to indicate that the authors tend to believe that, in the field of services selling, there are 'things' - using the terminology of Durkheim (see, for example,

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<sup>1</sup> Some reservations are raised in relation to this terminology, not least because it is possible for a researcher adopting a positivistic (phenomenological) approach to produce qualitative (quantitative) data (Collis and Hussey 2003).

Hughes and Sharrock 1997, pp. 30-41) - to be identified, described and classified. In this paper, these 'things', that exist 'out there', would be the antecedents and the consequences of RQ, as perceived by the customer. In fact, the paper begins by defining the focus of the study, stating the research questions and proposing a theoretical model whose variables are thoroughly described using the existing literature from the field of marketing as well as adjacent fields. Then it describes its methodological aspects such as context, sample and measures. In presenting the results it is evident the use of analytical and statistical tools in a systematic and rigorous manner. Finally, the authors highlight some important findings, suggest a series of managerial implications and present the limitations of the study as well as questions for future research.

Some authors would say that this is a clear example of an exercise of *mathematisation*, recognising the importance of measurement to contribute for closing the gap between the social sciences local knowledge and the physical sciences universal knowledge. This is the kind of approach Pfeffer (1993, p. 599) would suggest researchers in management and marketing to adopt in order to render some credibility to the field, or to attain, in his own words, 'some level of consensus' and a level of paradigm development that allows scientific progress. These positivistic views can always find parallel with modernism, which embodies, in the words of Starkey and Whittington (1997, p. 4), 'a faith in abstract, generalisable (and thus universal) formally rational knowledge...'. It also seems to be in line with typical Enlightenment tenets such as 'we can attain *rational* knowledge of society and that knowledge is *universal* and thus *objective*' (McLennan 1992, p. 330 [emphasis in original]).

Conversely, the advocates of the anti-positivist approach would express a rather different view on the same paper. For example, Cannella and Paetzold (1994, p. 332) argue that knowledge in organisational science, like all knowledge, is socially constructed; that researchers in social sciences should not imitate physical scientists in *mathematising* everything and arriving at the same kind of results; and that organisational scientists should accept that the progress of knowledge 'requires fuzzy boundaries and a tolerance (if not the acceptance of) a plurality of paradigms'. Another author that would not agree with some kind of superior research law or paradigm in organisational science that dominates and rules everything is Van Maanen (1995, p. 139), who accuses academics of 'technocratic unimaginativeness' and of producing banal generalisations to annihilate any possibility of debate and 'render organizations systematic and organization theory safe for science'.

Also in contrast to a positivistic stance, and as mentioned earlier, Gümnesson, in 1998 (p. 32), characterised the contribution of the Nordic School to the scientific thought in the area of services marketing, using the following main guidelines: relatively less quantitative management research, more theory generating than theory testing type of investigation, thus more inductive than deductive type of investigation, and a simultaneously empirical, theoretical and holistic kind of scientific thought. Still according to Gümnesson (2001, p. 29), specific marketing theories are generally acknowledged 'but only as special cases, deviations and extras', and what practitioners use is an amalgamation of 'fragmented models, assumptions, case stories and checklists' rooted on 'a partially obsolete foundation: micro-economics, marketing mix, four Ps, and the marketing of package consumer goods'. In addition, this prominent author in both the areas of services marketing and RM, argues that this absence of development is caused by an 'erroneously chosen methodology' claiming that scholarly research should be based on four strategies: 'curiosity, courage, reflection, and dialogue', and the rest, including quantitative tools, is technical support (Gümnesson 2001, p. 27). For Gümnesson (1998), marketing methodology and theory are seen as networks of relationships where interaction takes place. Interactive research is like a 'diamond in which each facet illuminates a different piece of marketing reality, together producing marketing theory' and has to do with 'recognizing complexity and ambiguity (case study research); letting reality tell its story in its own terms (grounded theory); the importance of being there (anthropology/ethnography); making it happen and reflecting (action research); and making reality come alive (narrative research)' (Gümnesson 2001, p. 39). This interactive view of marketing and management research seems to be line with the phenomenological paradigm of the philosophy of research design. Gümnesson (2001, p. 39) also argues that the above mentioned approaches reflect different interactions, such as between the knower and the known (including its actors), between qualitative, quantitative, explicit and implicit evidence, as well as 'concurrent, non-linear and dynamic interaction between data collection, analysis, interpretation and conclusions', all of these concurring to attain 'close access to reality and high validity'.

However, Gümnesson's (2001, p. 40) interactive perspective does not totally exclude the positivistic approach, when recognising that research should follow 'a humanist, hermeneutic, and phenomenological paradigm, although elements from a quantitative and positivistic paradigm may be included'. It looks as though Gümnesson (2001) opens the door for a conciliatory approach,

nevertheless reiterating that excluding subjectivity is the same as excluding the personality of the scientist, the knower, and what really matters is the productive process of knowing, regardless of what qualitative or quantitative aspects the methodology may include.

It is not a surprise that there are different, sometimes conflicting perspectives on the same matter. Moreover, it is also true that the so-called consolidated sciences, like for example, economics, have their doubts and moments of uncertainty and turbulence. One of the best examples is Keynes's 'General Theory of Employment, Interest and Money', presented in 1936. It was a revolutionary logic of economic behaviour under uncertainty, the emphasis on the individual's response to an uncertain world, contrasting with the Victorian model of economic society that was defined by certainties, such as, economies were self-regulating, supply creates its own demand and full employment was guaranteed as long as price levels remained constant. Archer (2003, p. 28) illustrates this debate using Keynes's own terms:

'...it is the 'psychology of society' in the face of an unknown future that sets mankind its fundamental economic problem: 'a large proportion of our positive activities depend on spontaneous optimism rather than on a mathematical expectation'. 'Reasonable calculation' has to be supported by 'animal spirits'. It is our 'innate urge to activity which makes the wheels go round'. When animal spirit spirits dim, investment falters'.

It would be, thus, normal that in marketing and, more specifically, in RM, conflicts and differences would exist as well - from which the light will eventually emerge. Gümnesson (2001, p. 41), himself, seems to be aware of this: 'when 1000 marketing professors always agree, 999 are redundant'. This conciliatory view is also line with Van Maanen (1995), who urges researchers to respect other's opinions, and learn with each other for the benefit of organisation theory and practice, instead of trying to control the field or to impose a paradigm for egoistic purposes.

The majority of the researchers in the area of RM have been adopting a predominantly positivistic perspective, apparently in search for objectivity and generalisation. It could be argued, then, that this more objective view has been adopted in an attempt to contribute to turn the marketing discipline from a - and using Becher's (1989) and Biglan's (1973) terminologies (quoted in Tranfield and Starkey 1998, p. 344-347) - *soft, divergent* and *rural* discipline into *hard, convergent* and *urban* discipline, maintaining, at the same time its contextual and applied nature. All in all, research efforts like the above mentioned paper by Crosby et al. (1990), and, for example, Morgan and Hunt's (1994) 'Commitment-Trust Theory of Relationship Marketing', two of the best examples of the quality

of the research in the field, are highly valuable in terms of scientific progress. Recent studies seem to reinforce the valuable effort made in the area of RM, which lately revealed an extraordinary development, with great interest for both researchers and practitioners (Hunt et al. 2006; Srinivasan and Moorman 2005), and the conquered position as 'one of dominant mantras in business strategy circles' (Palmatier et al. 2006, p. 136).

Notwithstanding the usefulness of the above depicted debate, it seems to be difficult to decide on whether there is a right or wrong philosophical approach. According to Hughes and Sharrock (1997), the absence of a guideline to an appropriate philosophical approach may have led some contemporary researchers to overlook ontological and epistemological issues and assume a pragmatic stance, in the sense that the priority should be matching the chosen method with the nature of the problem rather than with ontological and/or epistemological issues.

After discussing general issues regarding research philosophy, the next section elaborates on the philosophical stance adopted by the author of the present dissertation.

#### **5.4 The Philosophical Approach to this Study**

Within the continuum polarised by the positivistic and the phenomenological paradigms, the researcher is more identified with the positivistic approach, as detailed in the next paragraphs. This author believes that exploring ontological and epistemological issues is crucial to the success of the investigation process, and that it is possible to match the method with the problem and with ontology and epistemology concerns, from a moderate rather than a radical perspective. Indeed, this author recognises that a productive review and a healthy debate on research philosophy can only work for the researcher's own benefit and enrich the project, for it calls the attention to different approaches, helping to clarify the researcher's own stance. Moreover, a review of the research philosophy motivates reflection on the research problem, thereby contributing to minimise methodological error (Hughes and Sharrock 1997; Kvale 1996).

In this context, and with regard to the philosophical stance adopted in this research, first it is necessary to make an ontological assumption in terms of what is the researcher's view about the world, for epistemological issues depend, in part, on 'what there is to be known about' (Hughes and Sharrock 1997, p. 5). That is, it is necessary to answer to the question 'what is the nature of reality?'

From the positivistic approach the answer is that the world is external and objective, whereas from the phenomenological approach the world is seen as socially constructed and subjective (Collis and Hussey 2003; Hassard 1995; Hughes and Sharrock 1997). Ontologically the author adopts a predominantly objective view of the world (as opposed to the phenomenological approach), in line with the majority of studies in the marketing literature. The author of the present study believes that reality is objective and can be divided in parts, 'things out there', which can be identified, described, classified, and studied, so that the whole can be understood, in line with the positivistic paradigm.

Though not from a rigid or radical perspective, this author's view finds parallel with the perspective of Emile Durkheim (1858-1917), one of the most prominent authors with marked influence on what is known now as philosophy research in social science, along with names such as Francis Bacon (1561-1626), René Descartes (1596-1650), Auguste Comte (1798-1857), who is said to be first self-conscious proclaimer of positivism, John Stuart Mill (1806-1873), and Herbert Spencer (1820-1895), among others, like the more contemporaneous Karl Popper and Thomas Kuhn (Hassard 1995; Hughes and Sharrock 1997). One of Durkheim's contentions was that, in terms of ontology, the realities of both natural and social sciences are of the same kind and, thus, can be studied on the same epistemological grounds. Both realities are 'thing-like' and science is the study of 'things', or, in other words, the study of everything which is subjected to observation. In natural sciences these 'things' are material things, like rocks or cells, whereas in social sciences the 'things' are 'social facts' that belong an external world, exist autonomously, regardless of the researcher's beliefs or will, and are subjected to observation as well, as dispassionately and objectively as physical facts (Hassard 1995; Hughes and Sharrock 1997). Moreover, Durkheim further proposed that 'social facts', like physical facts, 'require explanation by causes (and ones of which individuals are not conscious) that are deterministic rather than purposive' (Hughes and Sharrock 1997, p. 34). At the same time, Durkheim also conceived the existence of observable variables that served as indicators of underlying structures - constructs - 'which were not themselves directly observable though they did exercise causal force over the actions of individuals' (Hughes and Sharrock 1997, p. 40).

In addition, choices on methods and techniques are also dependent on epistemological assumptions (Hughes and Sharrock 1997). Therefore, it is crucial to announce the philosophical standpoint of the researcher in epistemological terms as well. That is, it is necessary to answer the questions 'what is the

relationship between the knower and the known?', and 'what role values play in understanding?' Analogous and in coherence with the answers given to the ontological question, from the positivistic approach the answer would be that the researcher is independent from that being researched and science is value free and unbiased, whereas from the phenomenological perspective the knower interacts with the known and values mediate and shape what is understood. In this regard, the author's stance again borrows heavily from the positivistic approach, sharing the belief that reality is external, that is, the knower can stand outside of what is to be known, and that values can be suspended in order to understand that independent world, again, in line with the positivistic paradigm.

In conclusion, the present research is in the positivist epistemological tradition, leaning more towards a deductive and quantitative methodology, though not from a radical view. At the same time, the author of the present dissertation believes that, in an exploratory and preparatory phase (as described in Chapter 4), there is a role for exploratory, qualitative work as part of the author's complementary approach to knowledge generation, within the mentioned objective view of reality. Indeed, by triangulating procedures, researchers are able to use the strengths of some methods to compensate the weaknesses of other methods, thereby achieving an effective combination in terms of both high reliability and validity (Deshpande 1983). In this context, it was felt, for example, that before testing the model in quantitative terms, it would be probably wise to have hotel managers and their key contacts in corporate clients to speak for themselves first, in order to capture the nature of the phenomena to be studied. Qualitative work is, thus, regarded as useful to understand that objective world, while recognising that there is value in different approaches to data collection and analysis, for example, the combination of the quantitative and qualitative approaches (both of which are, of course, broadly consistent with the objective view of the world).

After the discussion of the philosophy of research, and in line with the adopted research paradigm stance, the chapter proceeds with the issues related to research design and data collection.

### **5.5 Research Design**

The test of the proposed model of RQ builds on a qualitative phase that helped inform conceptualisation, model development, and the preparation of the quantitative phase. Rather than mutual exclusive, qualitative and quantitative approaches constitute complementary strategies for research (Patton 1990). As

stated, before moving on to the quantitative phase, it was necessary to have the actors of the business, the representatives of hotels and corporate clients, to speak for themselves. The aim was to capture context-specific insights that would be later integrated in the larger study (Deshpande 1983; Shah and Corley 2006). As described in the previous chapter, the theoretical framework includes the following latent variables: three exogenous constructs – communication, customer orientation, and relational net benefits –, and three endogenous constructs – mutual goals, commitment, and RQ (which, in turn, comprises trust and satisfaction as dimensions). The qualitative phase was useful, not only for exploring issues that are important to the relationship, but to help ensure that the proposed conceptual framework was addressing the relevant aspects. In effect, the results of the qualitative study helped in the contextualisation of the constructs to be included in the proposed model, as well as to help inform the decisions concerning the way the proposed determinants interact both among themselves and with RQ.

While in the qualitative phase of the study a combination of literature with semi-structured interviews was employed, as detailed in the previous chapter, the quantitative phase consisted of a mail survey to hotel corporate clients. The next sections discuss the quantitative component in more detail.

### **5.5.1 Main Survey Preparation**

This section addresses the preparation of the cross-sectional field survey, which employed a self-administered, pen-and-paper questionnaire (see Portuguese and English versions of the questionnaire and cover letter in Appendix 6) that operationalises latent constructs that were adapted from extant studies in the area of services marketing, and, more specifically, in the area of RM. These constructs, as well as the respective scales, were contextualised with the help of the qualitative study, which employed a dyadic approach, having suffered minor adaptations in order to test a model of RQ between hotels and its corporate clients from an interpersonal perspective. The survey was planned bearing in mind the context for this research (which was one of the main criteria for selecting the above mentioned scales, alongside proven reliability) and that the unit of analysis is the relationship of the dyad (formed by the representatives of both hotel and corporate client), as perceived by the client. As mentioned, the high level of congruence between the opinions of buyers and sellers within dyads, emerged from the qualitative study, helps to support the quantitative approach on the corporate client only. Accordingly, respondents (that is, the representatives of corporate clients, in coherence with the unit of analysis) were



asked to describe their relationship with their correspondent key contacts in hotels (that is, client managers), as far as the several facets of the relationship are concerned. These facets are represented by the constructs included in the proposed model.

Continuing the description of the research design, the next sub-sections present the measurements used, justify the questionnaire's response format and layout, and detail the process of pre-testing.

#### *5.5.1.1 Measurements*

In the previous chapters, constructs have been defined (revisit Table 4.1 for a list of constructs and definitions), and its inclusion in the proposed model has been justified. Next, the operationalisation of the constructs is described.

All the scales used were adapted from previous studies and consist of reflective measures (Diamantopoulos and Siguaw 2000; Diamantopoulos and Winklhofer 2001), in line with the dominant trend in literature in this area. Only minor adaptations were made, mostly related to the goals and specific context of the present research, drawn from the qualitative phase of the study, which, as already mentioned in this dissertation, helped to inform the subsequent phases of conceptualisation, model development, and the preparation of the quantitative phase. The pre-testing phase, described later in this chapter, also helped to complement the process of adapting extant measures to the context and goals of the present research. Particularly, the opinions of the participants in both the qualitative study and the piloting component played a crucial role in finding the optimal balance between the need to effectively capture the phenomena at hand and to prevent issues related to the validity of constructs, namely face validity. Indeed, the literature mentions a significant degree of overlap between constructs associated with RQ (e.g. Naudé and Buttle 2000) and it has been suggested that this degree of overlap also exists in measures used in RQ models (e.g. Ivens 2004). In this context, the following measures were considered able to optimise the above described trade-off.

#### ***Commitment***

Commitment is defined as the parties' firm and consistent motivation to maintain a certain relationship that is valued by them (Anderson and Weitz 1992; Hewett et al. 2002; Morgan and Hunt 1994). Recent conceptualisations of commitment point to a three-dimensional concept (Bansal et al. 2004; Meyer and Allen 1997; Meyer and Herscovitch 2001). Taking into consideration the three-component

perspective of commitment, consistent with these recent conceptualisations, a 10-item scale developed by Bansal et al (2004) that taps the affective, continuance, and normative components of commitment was considered for measuring commitment. The scale developed by Bansal et al. (2004) was deemed more appropriated for this study's context and goals compared, for example, to Morgan and Hunt's (1994), Anderson and Weitz's (1992) and Gundlach et al.'s (1995), for it seems to capture more accurately the characteristics of commitment as they emerged from the interview phase (e.g. the emotional, socio-psychological aspect of commitment). Table 5.2 displays the specific items included in the questionnaire for pre-test.

Table 5.2: Items for measuring Commitment.

Items	Description
COMMIT1	Even if it were to our advantage, we do not feel it would be right to leave our client manager now
COMMIT2	This client manager deserves our loyalty
COMMIT3	We would feel guilty if we left our client manager now
COMMIT4	We would not leave this client manager right now because we have a sense of obligation to him
COMMIT5RC	We do not feel 'emotionally attached' to our client manager
COMMIT6RC	We do not feel like 'part of the family' with our client manager
COMMIT7RC	We do not feel a strong sense of 'belonging' to our client manager
COMMIT8	It would be very hard to end this relationship right now, even if we wanted to
COMMIT9	Too much of our business would be disrupted if we decided we wanted to end this relationship now
COMMIT10	We feel that we have too few options to consider ending this relationship

OBS: RC = Reverse Coded.

### **Communication**

Building on a definition by Williams and Spiro (1985), communication refers to the client manager's ability to use unique combinations of code, content, and communication rules to communicate effectively. A 7-item scale including the items developed by Williams and Spiro (1985) to measure the interaction orientation dimension of communication was adapted for this study. It was felt that, not only does this scale fit the construct's definition and the focus on communication style or interaction skills as explained earlier in this thesis, but also it is coherent with the qualitative empirical evidence. In addition, the items measuring the task orientation<sup>2</sup> and self orientation<sup>3</sup> dimensions of the Williams and Spiro (1985) scale show a high degree of overlap with measures pertaining to other constructs in the model, namely customer orientation. The items fielded in for the pre-test are displayed in Table 5.3. Because this scale was developed

<sup>2</sup> This SP [salesperson] worked hard to complete the sale; This SP wanted to complete the sale; This SP's primary concern was to help me make a purchase; This SP wanted to do the job well.

<sup>3</sup> This SP [salesperson] seemed more interested in himself than in me; This SP was more interested in what he had to say than in what I had to say; This SP talked about his own personal difficulties; This SP tried to dominate the conversation; This SP really wants to be admired by others.

in a people-based dyadic context, it is considered to be more appropriated for this study than, for example, the measures developed by Anderson and Weitz (1992) and Smith (1998), which, in turn, is an adaptation of a scale developed by Anderson and Weitz (1989).

Table 5.3: Items for measuring Communication.

Item	Description
COM1	Our client manager genuinely enjoys helping us
COM2	Our client manager is easy to communicate with
COM3	Our client manager likes to help clients
COM4	Our client manager is a cooperative person
COM5	Our client manager tries to establish a personal relationship
COM6	Our client manager seems interested in us not only as a clients, but also as persons
COM7	Our client manager is friendly

### **Customer Orientation**

Customer orientation is defined as the degree to which salespeople adopt behaviours aiming at increasing the customer's long-term satisfaction (Dorsch et al. 1998; Kelley 1992; Saxe and Weitz 1982). The operationalisation of customer orientation was based on the SOCO scale (Saxe and Weitz 1982), which comprises two dimensions, one of them corresponding to the positively stated items (customer orientation) and the other one to the reverse coded items (selling orientation). A 24-item scale was included for the pre-test, the specific items used are presented in Table 5.4. Other authors have measured customer orientation since the SOCO scale was originally developed. However, this scale is viewed as perhaps the best effective measure, and this is probably why some authors have used adaptations or variations of the SOCO scale, like for example, Dorsch et al. (1998) and Bejou et al. (1998).

Table 5.4: Items for measuring Customer Orientation.

Item	Description
COR1	Our client manager helps us achieve our goals
COR2	Our client manager tries to achieve his/her goals by satisfying us
COR3	Our client manager has our best interest in mind
COR4	Our client manager tries to get us to discuss our needs with him/her
COR5	Our client manager tries to influence by information rather than by pressure
COR6	Our client manager recommends suitable solutions for us
COR7	Our client manager tries to find best services for us
COR8	Our client manager answers our questions correctly
COR9	Our client manager tries to match the hotel's solutions with our problems
COR10	Our client manager is willing to disagree with us in order to help us make a better decision
COR11	Our client manager tries to give us an accurate expectation of what the product will do for us
COR12	Our client manager tries to figure out our needs
COR13RC	Our client manager tries to sell us all (s)he convinces us to buy, even if we think it is more than a wise customer would buy
COR14RC	Our client manager tries to sell as much as (s)he can rather than to satisfy us
COR15RC	Our client manager keeps alert for weaknesses on a person's personality so (s)he can use them to put pressure to buy
COR16RC	Our client manager if (s)he is not sure a service is right for us, (s)he will still apply pressure to get us to buy
COR17RC	Our client manager decides what services to offer on the basis of what (s)he can convince us to buy, not on what will satisfy us
COR18RC	Our client manager paints too rosy a picture of his/her services, to make them sound as good as possible
COR19RC	Our client manager spends more time trying to persuade us to buy than trying to discover our needs
COR20RC	Our client manager stretches a truth in describing a service
COR21RC	Our client manager pretends to agree with us to please us
COR22RC	Our client manager implies to us that something is beyond his/her control when it is not
COR23RC	Our client manager begins the sales talk for a service before exploring our needs
COR24RC	Our client manager treats us as rivals

OBS: RC = Reverse Coded.

### **Mutual Goals**

Mutual goals refer to the degree to which parties share goals that can only be achieved through joint action and the maintenance of the relationship (Wilson 1995). A scale developed by Kumar et al. (1995), which focuses on cooperative behaviours between partners, was considered for the pre-test. This scale had already been adapted for measuring mutual goals in a context of inter-organisational relationships markedly influenced by interpersonal relationships, where the mutual goals construct also assumed the role of an antecedent to RQ (Parsons 2002). As the context of the present research entails a people-based approach to RQ and its potential antecedents, the scale presented in Table 5.5 was considered suitable for measuring mutual goals and included for the pre-test.

Table 5.5: Items for measuring Mutual Goals.

Items	Description
MG1	Though circumstances change, we believe that our client manager will be ready and willing to offer us assistance and support
MG2	When making important decisions, our client manager is concerned about our welfare
MG3	When we share our problems with our client manager, we know that (s)he will respond with understanding
MG4	In the future, we can count on our client manager to consider how her/his decisions and actions will affect us
MG5	When it comes to things that are important to us, we can depend on our client manager's support
MG6	Overall, our goals are compatible with the goals of our client manager

OBS: RC = Reverse Coded.

### **Relational Net Benefits**

Relational net benefits correspond to the parties' expected net benefits from a relationship (Dwyer et al. 1987). This variable was measured using items included in Rusbult's (1983) test of the investment model in the context of the exchange tradition within the area of social psychology. Because these items were developed from an interpersonal approach they were considered more appropriated for the context of this study, compared to other measures used in previous studies, for example, Morgan and Hunt (1994) and Hennig-Thurau et al. (2002). Indeed, while the items used by Morgan and Hunt (1994) for measuring relationship benefits refer to product/goods related benefits, the items used by Hennig-Thurau et al. (2002) for measuring relational benefits do not take into consideration the balance between relational sacrifices and benefits, as implied in the previous chapters. Although the Rusbult's (1983) paper does not include a precise indication about the factorial or dimensional distribution of the items, the various concepts and the relatively high number of items used suggest, not only multidimensionality, but also that care should be taken to prevent issues related to potential overlap between concepts and/or items. Therefore, through visual inspection, the items measuring relational net benefits were meticulously compared to the items measuring the other constructs in the model. One case in particular, which refers to items related to satisfaction in this scale vs. items pertaining to the satisfaction dimension of RQ, was thoroughly examined. However, items related to satisfaction in this scale and items pertaining to the satisfaction dimension of RQ seem to be measuring different concepts. For example, the comparison between items RNB11 (We are extremely satisfied with this relationship) and RQS1 (We are satisfied with the performance of our client manager) illustrates that difference. The former refers to the perceived satisfaction with the partner and the relationship, consistent with the above mentioned definition of relational net benefits, whereas the latter refers to the satisfaction with the client manager's performance, in line with the definition of the satisfaction dimension of RQ - the assurance, perceived by the

buyer, regarding the salesperson's future performance, given that past performance has been consistently satisfactory (Crosby et al. 1990). Given that the overall risk of overlap with other constructs does not seem to represent reasons for concern, it was felt that all the items should be considered for the pre-testing phase. Indeed, the measures used by Rusbult (1983), taken together, seem to correspond to the meanings of expressions like 'the giving and the taking...', 'sometimes we feel that we invested so much...', and 'we don't mind to pay a bit more because we like them...', in the words of the participants of the exploratory, qualitative study (see sections 4.4.7 and 4.5.2.5). Table 5.6 shows the specific items considered for the pre-test.

Table 5.6: Items for measuring Relational Net Benefits.

Item	Description
RNB1	This relationship is extremely rewarding
RNB2	In terms of rewards, this relationship is close to our ideal
RNB3RC	This relationship is extremely costly
RNB4	In terms of sacrifices, this relationship is close to our ideal
RNB5RC	In general, our alternatives to this relationship are extremely appealing
RNB6RC	All things considered, our alternative relationships are much better than this relationship
RNB7	All things considered, there are many benefits associated with this relationship that we would lose if the relationship were to end
RNB8	In general, we have invested a great deal in this relationship
RNB9	We like this partner very much
RNB10	We have high consideration for this partner
RNB11	We are extremely satisfied with this relationship
RNB12RC	It is extremely likely that we will end this relationship in the near future
RNB13	We would like this relationship to last for a lifetime
RNB14	An alternative relationship would have to be extremely attractive for us to adopt it and end this relationship
RNB15	We are extremely 'attached' to our partner in this relationship
RNB16	We are extremely committed to this relationship
RNB17	Overall, the benefits of this relationship outweigh the sacrifices

OBS: RC = Reverse Coded.

### **RQ - Satisfaction**

As mentioned, the satisfaction dimension of RQ is defined as the assurance, perceived by the buyer, regarding the salesperson's future performance, given that past performance has been consistently satisfactory (Crosby et al. 1990). Satisfaction was operationalised using the scale developed by Crosby et al. (1990) and presented in Table 5.7. Though it is possible to find in literature more recently developed scales for measuring satisfaction (e.g. Cullen et al. 1995; Roberts et al. 2003), it is also true that these measures constitute just adaptations or variations of the 'original' one developed by Crosby et al. (1990).

Table 5.7: Items for measuring RQ – Satisfaction.

Item	Description
RQS1	We are satisfied with the performance of our client manager
RQS2	We are pleased with the performance of our client manager
RQS3	We have a favourable opinion on our client manager's performance

OBS: RC = Reverse Coded.

**RQ - Trust**

Trust is defined as the ability and willingness to rely on the salesperson's integrity and behaviour so that the long-term expectations of the buyer will be met (Crosby et al. 1990). Using an analogous rationale, the trust dimension, like the satisfaction dimension, was measured using items developed by Crosby et al. (1990) with small adaptations for the client manager-corporate client relationship context. This decision was made, not only because the Crosby et al's (1990) people-based approach to RQ in services is being adopted in this study, but also due to the fact that other alternative measurements were not developed in a services context (for example, Donney and Cannon 1997; Hewett et al. 2002; Morgan and Hunt 1994; Wong and Sohal 2002). A 9-item scale was fielded in for the pre-test (see specific items in Table 5.8).

Table 5.8: Items for measuring RQ - Trust.

Item	Description
RQT1	Our client manager can be relied upon to keep his/her promises
RQT2RC	There are times when we find our client manager to be a bit insincere
RQT3RC	We find it necessary to be cautious in dealing with our client manager
RQT4	Our client manager is trustworthy
RQT5RC	Our client manager is trying to sell us a lot of services and we are trying to avoid it
RQT6	Our client manager puts our interests before his/her own
RQT7RC	Our client manager is capable of bending the facts to create the impression he/she wants
RQT8RC	Our client manager is dishonest
RQT9RC	We suspect that our client manager has sometimes withheld certain pieces of information that might have affected my decision-making

OBS: RC = Reverse Coded.

**5.5.1.2 Response Format**

The latent exogenous variables (communication, customer orientation, and relational net benefits), and the latent endogenous variables (commitment, mutual goals, and RQ), were measured by Likert-type scaled items, provided, of course, that the questionnaire was subjected to pre-testing, as described later in this chapter. The same response format was kept throughout the whole questionnaire (except for section E which refers to classification data) and characterised by simplicity, regularity, and symmetry, in order to help the respondents in focusing on the substance of the inquiry, or, in Dillman's (2000, p. 88) words, 'to ease the cognitive burden of responding'. The Likert-type scale is one of the most commonly used attitude-scaling techniques (Malhotra 2004). It allows respondents to communicate the intensity of their perceptions on a

certain phenomenon (DeVellis 2003), via an expression of agreement or disagreement with ideas transmitted by statements (Churchill 1999).

In addition, other features were included in the design of the questionnaire, in order to contribute to both preventing bias and increasing rate of responses. For example, the use of reversed coded items was considered to be appropriate, namely bearing in mind the risk of yes/no saying. In addition, the format of the Likert or Likert-type questions included an odd number of responses. Not only the definition of a Likert scale implies an odd number of response options (Malhotra 2004), but it was felt that the respondents should be given the opportunity to express neutral responses (DeVellis 2003; Malhotra 2004). As far as the number of response options is concerned, the option was for a seven-point scale. This was because the use of a relatively sophisticated data analysis strategy (which will be detailed in the next chapters) requires seven or more categories of response, but, at the same time, it is recognised that respondents present some cognitive limitations in answering to nine-point scales (Malhotra 2004). In addition, it has been found that the larger the number of scale options, the better the responses can be discriminated from each other, contributing to larger variances and increased reliability (DeVellis 2003; Malhotra 2004), thus ruling out the use of five-point scales. Even though, from a pure technical perspective, Likert scales correspond to ordinal scales, its output is widely treated at an interval level (Malhotra 2004). This occurs in the majority of investigations in social sciences and it is considered an acceptable procedure (Hill and Hill 2000; Kinnear and Taylor 1991). Similarly, in this study numeric values resulting from answers were treated as if they were obtained through metric scales. The reasonableness of this procedure is strengthened by the fact that the studied variables are indeed continuous and yet it is only possible to measure them as ordinal variables (Powers and Xie 2000).

#### *5.5.1.3 Questionnaire Layout*

Additional technical decisions were taken in order for the questionnaire to be perceived by respondents as interesting, easy to complete, and professional. Layout and order of questions play an important role in this regard (Churchill 1999; Dillman 2000). Quite frequently, respondents do not read the content of questionnaires thoroughly; rather they look for clues in the layout and decide what to read and what to ignore, often skipping many words and, therefore, misinterpreting questions (Dillman 2000). Bearing this in mind, and as suggested in the literature (Churchill 1999; Dillman 2000; Malhotra 2004), the researcher opted for keeping both the wording and visual appearance as simple

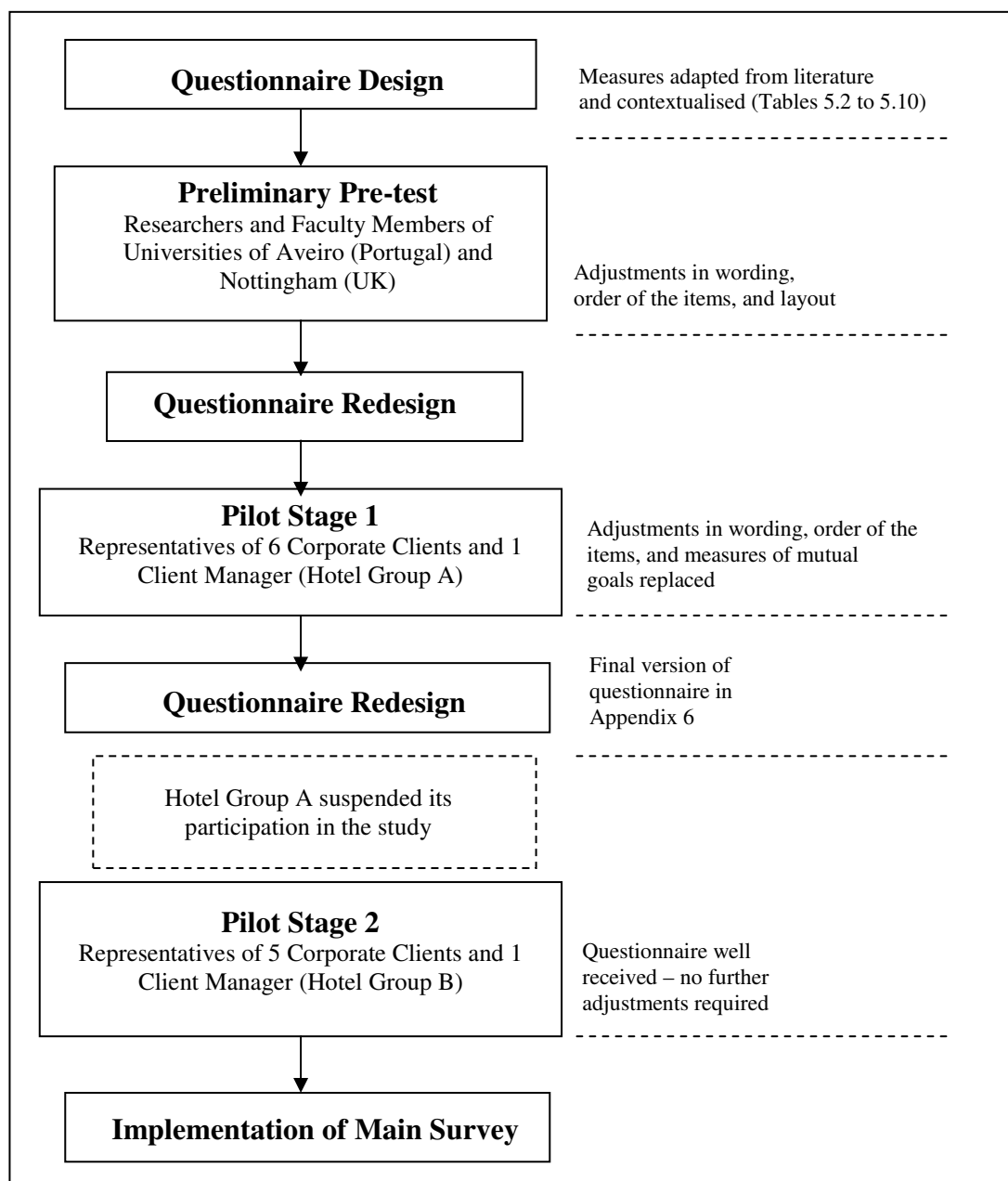


as possible, yet professional (as reflected also by the sobriety of the layout and the good quality of reproduction of the Portuguese version – the one used for collecting data - see Appendix 6), in both the questionnaire and cover letter. Efforts have been also made in order to produce a questionnaire that creates a positive first impression and is perceived by the respondent as distinguishable from the majority of questionnaires that s/he might receive. To this end, the process of pre-testing revealed to be very helpful, particularly in assuring the effectiveness of the questionnaire, as perceived by the actors in the business, especially the potential respondents. Bearing in mind the importance of the first questions to encourage respondents to fill out the whole questionnaire, some easy and interesting questions (especially from the respondent's perspective) were included as opening questions. Potentially difficult and/or sensitive questions were placed late, and classification information last in the questionnaire (Churchill 1999; Malhotra 2004). In addition, as suggested in literature (Churchill 1999; Dillman 2000) and coherently with the questionnaire, the cover letter announces the important theme of relationships between hotels and corporate clients, and stresses the importance of the participation of the respondents. At the same time, the cover letter informs that the questionnaire will not take long to complete, it can be answered and returned easily, answers are confidential, and results available by request. Last but not least, the inclusion of the names and logos of the universities associated with both the research and researcher lends credibility to the survey.

#### *5.5.1.4 Pre-Test*

The previous sub-sections presented the scales included in the pre-test version of the questionnaire for measurement of the six latent variables of the proposed model, and discussed the questionnaire's response format and layout. This sub-section describes in detail the process of submitting the survey instrument to a pre-test that led to the final configuration of the questionnaire, as Figure 5.1 broadly illustrates.

Figure 5.1: Overview of the Process of Development and Pre-Testing of Questionnaire.



A first and preliminary phase of the pre-test of the proposed survey questionnaire was conducted with the help of researchers and faculty members, both from Nottingham University Business School, England, and the University of Aveiro, Portugal. This process resulted in several adjustments to the initial proposed structure of the questionnaire, mainly with regard to some issues on wording, the order of the items, and questionnaire layout.

The pre-testing continued through a series of in depth interviews/meetings with a convenience sample of six representatives of corporate clients and one client manager of the hotel chain that was due to participate in the survey. This second piloting stage resulted in two main adjustments, following the inputs of the

interviewees. On the one hand, the wording and the order of the questions was further fine-tuned to be better understandable by the actors in the industry, while continuing to respect the rigor of academic requirements. On the other hand, the items that were initially fielded in the questionnaire as measures of the construct of mutual goals were not particularly well received by the interviewees, who did not consider them adequate for the context of this particular fieldwork.

Taking into account the opinions of the actors of the industry, and simultaneously bearing in mind the demands of academic and scientific rigour, the researcher recognised his initial misjudgement and went back to the literature to find alternative solutions. After some debate with the representatives of both the hotel and the corporate clients, items developed – though not empirically tested – by McQuiston (2001), were selected for measuring mutual goals, in substitution of the initial proposition, taking also into account that this scale is also compatible with this study's definition of the construct of mutual goals. Table 5.9 presents the specific items used as measures of mutual goals.

Table 5.9: New Items for measuring Mutual Goals.

Items	Description
MG1	We share a joint vision with our client manager of what is necessary for mutual success
MG2	We have a set of formal criteria which we use to evaluate a prospective partner
MG3	We know with certainty what our client manager expects of us
MG4	We work proactively with our client manager to establish annual goals
MG5	We can state with certainty that our client manager has the same basic beliefs about running a business than we do
MG6	Overall, our goals are compatible with the goals of our client manager

Table 5.10 summarises the list of constructs and respective sources from which the scales have been adapted.

Table 5.10: Constructs and Respective Sources.

Constructs	Adapted from
Commitment	Bansal, Irving, and Taylor (2004)
Communication	Williams and Spiro (1985)
Customer Orientation	Saxe and Weitz (1982)
Mutual Goals	McQuiston (2001)
Relational Net Benefits	Rusbult (1983)
Relationship Quality - Satisfaction	Crosby, Evans, and Cowles (1990)
Relationship Quality - Trust	Crosby, Evans, and Cowles (1990)

The above mentioned components of the qualitative pre-test phase served also as a test of content (or face) validity, that can be defined as the subjective and systematic evaluation of the scale's items ability or appropriateness for measuring the phenomena of interest (Green et al. 1988; Malhotra 2004). Assessing a scale's content validity involves evaluating the items'

representativeness of the construct's domain and many researchers measure content validity on the basis of personal judgments of experts in the field (Green et al. 1988; Malhotra 2004). Accordingly, content validity was assessed in this study by submitting the measurement instruments to the filter of experts in the field of interest, both academic and practitioners. This content or face validity test, although necessary, is, of course, insufficient for establishing construct validity and reliability. The issues of convergent validity, discriminant validity, and nomological validity, as well as construct reliability will be covered in the phase of model quantitative testing (see Chapters 6 and 7).

Because the questionnaire was developed in English, pre-tested in both English and Portuguese, though administered only in Portuguese, the issue of translation had to be considered. The translation of the questionnaire was carried out in such a way that translation equivalence was achieved as much as possible. According to Malhotra (2004), translation equivalence means that two persons from two different countries would score the same way on the same item irrespectively of the language used. Back translation, the most widely used translation procedure (Malhotra 2004), was the technique applied also in this study. In this context, the author carried out a first translation of the questionnaire into Portuguese. Then, a different translator fluent in both languages retranslated both the English version into Portuguese and the Portuguese version into English. The two Portuguese versions and the two English versions were then compared, possible discrepancies corrected, differences reconciled, so that the final version (in this case, as stated, only the Portuguese version was used for collecting data) could meet the requirements of clarity and effectiveness as a measurement instrument. The final Portuguese and English versions of the questionnaire and respective cover letter are presented in Appendix 6.

Building on the discussions on research philosophy and design, the chapter now moves on to the data collection issues.

## **5.6 Data Collection**

Data collection is a crucial step in research. Data is the lifeblood of any investigation, providing quantifiable real-world evidence to empirically test the proposed theoretical framework. The following sub-section deals with the decisions made on the issues of sampling and its implications.

### **5.6.1 Sampling Issues**

After clearly identifying the research problem, describing the research design and data collection instrument, the elements from which to collect the data had to be selected. At this point, a first decision to be made is to define the population to be studied (Churchill 1999; Green et al. 1988). Consistent with the unit of analysis of the present research, the relationship of the dyad as perceived by the client, corporate clients of hotels operating in Portugal constitute the population to be investigated.

One alternative to collect the data is to conduct a complete canvas, that is, a census, on the population of interest. However, in most cases, a portion of the population, that is, a sample, is used to make inferences about the population. This is due to real world constraints, mainly time and money (Green et al. 1988), and also because a census involves large field staffs that can potentially introduce non-sampling error, which, as surprising as it might seem, could render more accuracy to samples when compared to censuses (Churchill 1999).

In any case, the decisions on sampling issues should be made also on the basis of the research goals and taking into consideration that a sample with adequate representativeness is needed for appropriate statistical inference. In this context, the next sub-sections discuss the issues of sampling frame and method, and the examination of whether a key informant single respondent approach is feasible.

#### **5.6.1.1 Choosing Sampling Frame and Method**

The choice of the sample frame has to do with the definition of the collection of elements from which the sample will be drawn and is inexorably related to choosing a sampling method. Given that a list of the corporate clients of hotels operating in Portugal does not exist, it was not possible to use a probability (e.g. random) sampling procedure. Bearing in mind, not only the limitations and conditions available for collecting the data, but the research objectives and the issues of representativeness and inference, a judgment sampling procedure was adopted. Judgment samples are often referred to as purposive samples, given that sample elements are selected on the expectation that they are representative of the targeted population, contrary to convenience samples, that are called accidental samples, because the sample is constituted by respondents that happened to be there at the time of the information collection (Churchill 1999).

In effect, a hotel chain with a national operation, with selling points spread through virtually the whole country, and with a wide spectrum of corporate clients, in terms of both dimension and sector diversity, was considered particularly appropriate for participating in this study, deliberately thinking ahead to the representativeness of the sample. According to Green et al. (1988, p. 327), purposive samples can, not only be representative, provided that a sound judgment is applied, but present advantages such as being considered 'low cost, convenient to use, less time-consuming, and as good as probability sampling'.

#### *5.6.1.2 Identifying Key Informants*

One of the aspects that emerged from the exploratory component of this study is that each hotel client manager has a key contact or privileged interlocutor, or in other words, a key informant, in each corporate client. In this context, the final sample was constituted by key informants in the persons of the key contacts in the corporate clients. Key informants, not only express their own perceptions or attitudes, but also share knowledge of the social system they belong to and represent (Heide and John 1993), acting as surrogates of the organisation. The use of key informants assumes that they are able to provide information on a specific relationship, in this case, the relationship between the hotel (represented by the client manager) and the corporate client (represented by the client manager's key contact). Furthermore, as detailed in the previous chapter, the high level of congruence between the opinions of both sides in each dyad, lends credence to the decision on collecting data from the client's representative only, which, in turn, is consistent with the unit of analysis, i.e., the relationship between the participants in the dyad, as perceived by the representative of the corporate client.

In the present study, there are strong reasons to believe that it is an adequate procedure to use the key informant single respondent approach. To begin with, key informants are privileged interlocutors, or key contacts, identified by hotel client managers (like client managers, their correspondent key contacts can be considered relationship managers as well). Second, key contacts occupy positions in corporate clients that permit them to be well informed about the phenomena under analysis, as emerged from the interviews conducted in an earlier phase of this research, and, therefore, are competent to represent the organisation for the purposes of the present study. Moreover, the unit of analysis, as stated before, is the relationship between the parties, from the perspective of the corporate client. In addition, key contacts speak the same language as both the client manager and the researcher, which is concurrent

with the fact that the survey instrument satisfies both academic rigor and industry requirements. Finally, this procedure is consistent with previous research practice (cf. Anderson and Narus 1990; Anderson and Narus 1984), and coherent with the idea that interpersonal relationships between boundary spanners, e.g. via designated relationship managers, may be more effective than customer-firm relationships, e.g. via team selling (Palmatier et al. 2006).

### **5.7 Survey Administration Decisions**

Taking into consideration the research goals, the unit of analysis, the population of interest, and the adopted research design, the original plan was to gain access to a list of corporate clients of a major hotel chain operating in Portugal, in order to proceed with the mail survey. However, the hotel group that had initially agreed to participate in this study (the largest hotel group operating in Portugal), and that participated in the piloting stage, not only required confidentiality of the hotel brand, but did not agree on revealing its list of clients. For that reason, it was agreed with the representatives of this hotel chain - let us call it Hotel Group A, for the purposes of this study - that the questionnaires would be hand-delivered by the hotel's client (relationship) managers to their correspondent key contacts in corporate clients, and returned to the researcher via prepaid postal envelopes. The plan was to distribute around 500 questionnaires by each of the five client managers that manage portfolios ranging from 400 to 500 corporate clients each.

However, after several months of talks, discussions and collaboration, and while the logistics to proceed with the agreed plan were being organised, this hotel chain suspended its participation in the study. Faced with this unexpected obstacle, the researcher had to find an alternative for the collection of data, which would serve equally well to accomplish the planned objectives. For this purpose, contacts were made with the second largest hotel chain operating in Portugal, which, fortunately, agreed to participate in this study.

This hotel chain, Hotel Group B (confidentiality of the hotel brand was required as well), also meets the earlier mentioned criteria for the utilisation of a judgement sample, thinking ahead to the representativeness of the sample, for it also operates on a national basis, with a wide range of corporate clients, in terms of both dimension and sector diversity. The only difference between the two hotel chains, is that Hotel Group A has its corporate centres physically separated from the hotels (one for the North area, another one for the South area), whereas Hotel Group B has its client managers located in several

strategically chosen hotels throughout the country. This characteristic of the Portuguese hotel industry had already emerged in the qualitative, exploratory phase of this research, and there are no reasons to believe that it constitutes any kind of problem that could affect the continuation of the study, not least because both ways of approaching the market are carried out through the action of client managers that manage portfolios of corporate clients.

Before moving on to the actual collection of data with Hotel Group B, the questionnaire was subjected once again to the scrutiny of five corporate clients' representatives and one hotel client manager, as a complement to the piloting procedure. The questionnaire was quite well received and no further adjustments were made to the version previously developed (revisit Figure 5.1). Subsequently, and because Hotel Group B also did not agree on revealing its list of clients, 2,500 questionnaires were distributed by the 5 client managers designated to participate in the study, who manage portfolios that are also around 400 to 500 corporate clients each. A series of meetings with the presence of representatives of Hotel Group B's administration board were conducted, in which hotel client managers were briefed and agreed on certain procedures, not only in terms of ethics and professionalism, but thinking ahead to the goals pursued within the present investigation. Particular emphasis was given, for example, to the prevention of issues relating to possible bias and, at the same time, to enhancing response rate. In this context, again, the questionnaires were to be hand-delivered by client managers to their key contacts in corporate clients, and returned by mail directly to the researcher. The distribution of the questionnaires by the corporate clients was due to happen during the regular scheduled business meetings that client managers carry out as part of their job routine. More concretely, the client manager handed over to his/her counterpart in the corporate client, in the end of each meeting, a sealed envelope, containing the questionnaire, the cover letter, and a prepaid reply envelope addressed to the researcher.

It was felt that the adopted distribution procedure would contribute to increase response rate, which is important, not least because of the planned data analysis strategy. At the same time, it was specifically agreed with client managers that their only function was to deliver the questionnaire to their key contacts in the corporate clients - in the end of each meeting, as mentioned earlier. This way the respondent could complete the questionnaire without the presence of the client manager, so that 'interviewer' bias would be prevented. The intention was also to capitalise on other advantages that are also attributed to self-



administered questionnaires. For example, self-administered questionnaires are relatively quicker and less expensive, give more time to the respondent to complete the questionnaire, yielding a wider coverage, in comparison to case studies or interviews (Churchill 1999).

Having clarified the issues related to the distribution of the questionnaire, the next section reports on the characteristics of the sample that served as a basis for the quantitative phase of the present study.

### 5.8 Sample Characteristics

A total of 2,329 packages containing a cover letter, a questionnaire, and a prepaid return envelope, were distributed to the corporate clients by their respective client managers. 1,002 responses were received, yielding a final sample comprising 948 cases, considering that 54 questionnaires were returned incomplete (that is, the response rate was around 40.7%). Analogous to the exploratory study, although with a different set of hotels, each client manager (CM) represents a hotel. CM1 represents a hotel located in the Algarve (south of Portugal); CM2 represents a hotel located in Lisbon (the capital of Portugal); CM3 is the representative for a hotel situated in a second-line city in the Lisbon region (Montijo); CM4 represents a hotel located in the second largest city of Portugal, Porto (north of Portugal); and, finally CM5 represents a hotel situated in the third major Portuguese city, Coimbra (Portugal's midland). Table 5.11 details the response rate according to CM/hotel location.

Table 5.11 – Main Survey Response Rates.

CM/Location	Distributed	Returned	Incomplete	Valid	Resp. Rate
1/Algarve	441	175	7	168	38.1%
2/Lisbon	559	277	9	268	47.9%
3/Montijo	393	130	14	116	29.5%
4/Porto	490	224	12	212	43.3%
5/Coimbra	446	196	12	184	41.3%
<b>Totals</b>	<b>2329</b>	<b>1002</b>	<b>54</b>	<b>948</b>	<b>40.7%</b>

The relatively high response rate may be an indication that non-response bias is not a concern in this study. Nevertheless, tests were conducted in order to evaluate any potential non-response issues. In this regard, the anonymity ensured respondents has two major implications. On the one hand, it is not possible to go back and identify non-respondents to ask them why have they not responded to the questionnaire; on the other hand, it minimises potential bias related to confidentiality issues (Bialaszewski and Giallourakis 1985). In this context, Armstrong and Overton's (1977) 'last respondent' method was used to for investigating non-response bias. This method operates under the assumption the late respondents - those who probably would not respond if they were not

asked to do so a second time - resemble non-respondents, and suggests splitting respondents into 'early' vs. 'late' and comparing the responses. The responses were returned in two waves: respondents who posted their responses right after the distribution of questionnaires by their client managers (approximately 50% of the returned questionnaires); and respondents who mailed the completed questionnaires after the second round of meetings carried out with the purpose of asking client managers to remind corporate clients to return the questionnaires. Consequently, first wave responses were designated 'early' and second wave responses 'late'. These two groups were then compared through independent sample *t*-test on the mean values on the following two criteria, considered likely to bias responses in case of a significant difference in the mean scores occurs. One of these criteria reflects the degree of involvement in terms of business between the two parties, and, therefore, the importance of the hotel to the corporate client: client share (percentage represented by the service provider out of all the hotel services the company uses). Given the interpersonal focus of this research, the other test variable was the length of the relationship with the client manager. No significant differences between early vs. late responses were found, which suggests that non-response bias is not likely to be a serious problem in this study.

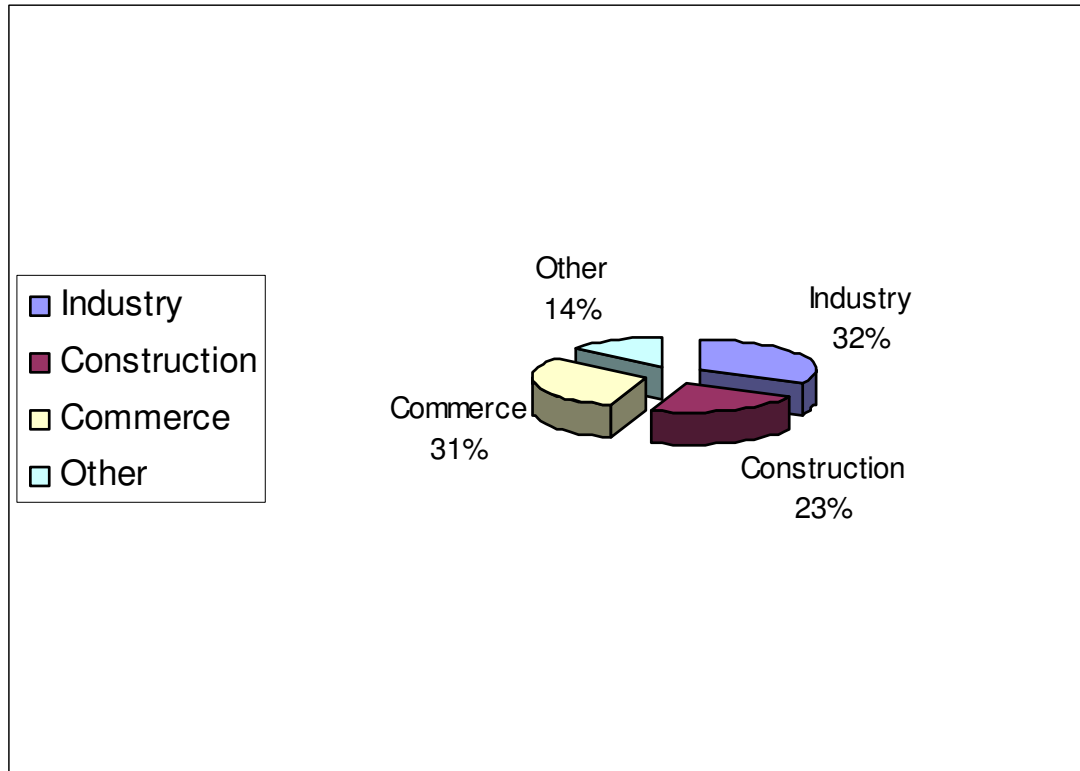
As far as the representativeness of the final sample is concerned, one of the main criteria for the characterisation/classification of firms is the sector that they are trading in. According to the official statistics<sup>4</sup>, Portuguese firms are broadly distributed by sectors as follows: industry (referred to as 'transforming industry' in the terminology of the Portuguese office for national statistics, *INE*) - 28%, construction - 19%, commerce - 37%, and other sectors (mainly services) - 16%. Another criterion for characterising firms is the size of the organisation. Still according to official statistics<sup>5</sup>, small to medium sized firms (up to 500 employees) represent approximately 98% of the Portuguese firms. Taking into account the sector distribution of corporate clients in the final sample (see Figure 5.2) as well as the percentages of small to medium sized firms in each client manager's portfolio (see Figure 5.3), there are strong reasons to believe that the representativeness of the sample on which the main survey is based is not likely to constitute a problem in this study, thereby contributing to strengthen the effectiveness of statistical inference.

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<sup>4</sup> Based on data provided by the Portuguese institute for statistics, *INE - Instituto Nacional de Estatística* (2006).

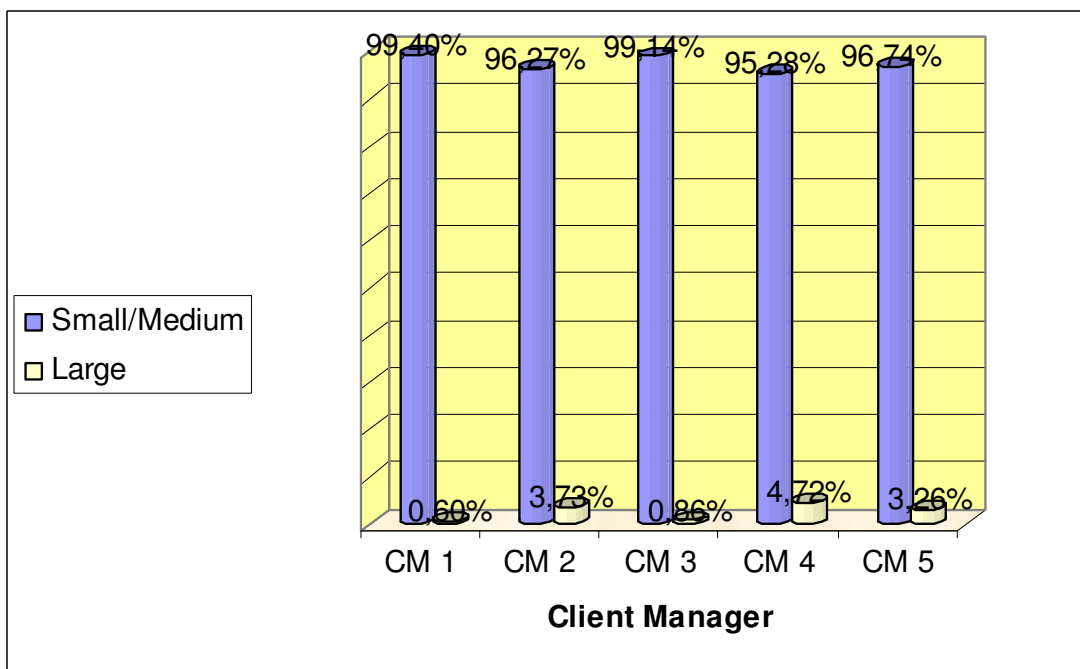
<sup>5</sup> Based on data provided by the Portuguese institute for small to medium sized firms, *IAPMEI - Instituto de Apoio as Pequenas e Medias Empresas e ao Investimento* ([www.iapmei.pt](http://www.iapmei.pt)).

Figure 5.2: Final Sample Sector Distribution.



Source: Author, based on INE (2006).

Figure 5.3: Distribution of Small to Medium Sized vs. Large Firms per Client Manager (CM).



Source: Author, based on IAPMEI ([www.iapmei.pt](http://www.iapmei.pt)).

## 5.9 Conclusion

In this chapter, after a brief restatement of the study goals, the research paradigm stance was discussed, followed by the outline of the research design, the preparation of the main survey, the operationalisation of the measures, and

the pre-testing of the questionnaire. Then, the chapter moved on to questions related to data collection, namely discussions about sampling issues and decisions regarding the distribution of the questionnaires, and finalised with the presentation of the sample characteristics.

After discussing and justifying the methodological choices for this research, the next chapters describe the empirical test of the proposed model.

## **CHAPTER 6 - DATA ANALYSIS I: ASSESSMENT OF MEASUREMENT MODEL**

### **6.1 Introduction**

This study incorporates Anderson and Gerbing's (1988) two-step approach to structural equations modelling (SEM) into Diamantopoulos and Siguaw's (2000) eight-step process in LISREL modelling. In this context, this chapter is concerned with the assessment of each construct and respective items included in the measurement model, as a logical sequence to the process of model development described in Chapter 4 and the methodology outlined in the previous chapter. This chapter first presents a discussion on procedural decisions relating to the analysis strategy, as well as on data screening procedures. Then the chapter describes the actual assessment of the measurement model, which is divided in two main segments, assessment of the measurement model for exogenous variables and assessment of the measurement model for endogenous variables, each of which, in turn, are sub-divided into four classes of tests: dimensionality, convergent validity, reliability, and discriminant validity.

### **6.2 Procedural Considerations**

The overall strategy concerning data analysis was divided in two main parts, taking advantage of a relatively large sample: model calibration and model cross-validation. For this purpose, the final sample of collected data was split in two random halves, the calibration sample and the cross-validation sample. Within model calibration, the two-step approach suggested by Anderson and Gerbing (1988) was followed. In this context, the evaluation of the measurement model was carried out using factor analysis, both exploratory (EFA) and confirmatory (CFA). In a first instance, EFA was used as a procedure of measure purification, from a traditional (i.e., non-confirmatory) perspective, which was subsequently complemented with a confirmatory assessment of dimensionality, convergent validity, reliability, and discriminant validity, under the principles of SEM. The testing of the structural model, also with SEM, then served as a confirmatory assessment of nomological validity. SEM was used as well for validating the structural model, on the cross-validation sample, and for an analysis of alternative/rival models, a process that is going to be described in the next chapter.

In what statistical software is concerned, SPSS 14.0 was used to perform EFA, whereas LISREL 8.72 was used for performing CFA and for evaluating the structural model, as well as for cross-validation and alternative models evaluation. LISREL (Linear Structural Relationships), a particular SEM technique, acknowledged as the most sophisticated research tool by marketing researchers, is used for estimating simultaneously a series of separate, yet interdependent, multiple regression equations (Hair et al. 1998). SEM procedures allow for the incorporation of both observed and latent variables (Byrne 1998; Hair et al. 1998) and express direct, indirect and total relationships between independent and dependent variables, even when the same variable is at the same time a dependent variable in one relationship and an independent one in another relationship (Hair et al. 1998). In SEM, the model is statistically tested through a simultaneous analysis of the entire system of variables in order to measure the extent to which it is consistent with the data (goodness-of-fit). Roughly stated, the higher the goodness-of-fit, the stronger the support granted to the hypothesised associations among variables (Byrne 1998). Taking also into consideration that SEM has been proven to have more advantages than multiple regression in establishing the 'best fitting' model (Cheng 2001), these seem to be the necessary characteristics of a technique to address the model proposed in this study.

Before the above described steps could take place, several additional decisions had to be made. Regarding EFA, the extraction method used is principal components, which is a data reduction technique for the identification of linear combinations of the items that account for the maximum variation possible (Iacobucci 2001a; Stewart and Iacobucci 2001). Even though there was an indication of a predetermined factor structure subsumed in the proposed conceptual framework, exploratory factor analysis can be useful as a preliminary tool for the definition of the underlying dimensional structure (Gerbing and Anderson 1988). DeVellis (2003, p. 133) stresses its importance by stating that finding a factor structure by means of nonconfirmatory factor methods can be even more encouraging to the investigator, compared to the results of a confirmatory factor analysis, in which the computer is given 'a heavy hint as to how things should turn out'. The principal components analysis also served as a tool for measure purification. The process of reducing a set of measures aiming at defining preliminary scales that are subsequently submitted to test and validation with confirmatory factor analysis is a generally accepted procedure (Gerbing and Anderson 1988; Steenkamp and van Trijp 1991).

Another question related to principal component analysis is the rotation method used. Orthogonal rotations are associated with uncorrelated components whereas oblique rotations allow for correlations among factors (Green et al. 1988; Iacobucci 2001b; Malhotra 1996). In the present analysis, given that there are theoretical and empirical (from the qualitative data analysis) reasons to believe that the latent variables are correlated to some degree, an oblique rotation was used – Promax, considered to be more suitable for large samples (SPSS 2005) and an adequate choice of an oblique rotation (Iacobucci 2001b).

Moving on to the SEM procedures, several choices were made, namely on the issues of i) type of input matrix, ii) estimation technique, iii) level of abstraction, iv) summated scales; and v) set of indices for assessing overall model-to-data fit. A discussion on these decisions follows.

i) Type of input matrix: in this respect, the choice is, basically, between using a correlation matrix or a covariance matrix. Several reasons informed the choice of a covariance matrix as the input matrix. To begin with, Hair et al. (1998) defend that when the goal is to test a proposed theoretical framework, as is the case in this study, a covariance matrix should be used. Moreover, and according to Bentler et al. (2001), most of the statistical theory behind SEM has been developed on the assumption that the analysis applies to a covariance matrix. In addition, Baumgartner and Homburg (1996) recommended the utilisation of covariance matrices in all future analyses. Furthermore, there are some specific technical reasons in favour of using a covariance matrix. For instance, Bentler et al. (2001) stressed that covariance structure models (another name for structure equations models) have standardized solutions as well - thus the advantage is that a correlation metric is available even if a covariance matrix is used. Another example is that, in general, when a correlation matrix is used, the chi-square test and standard errors are not correct (Bentler et al. 2001);

ii) Estimation technique: maximum likelihood (ML) is the default estimation method in most statistical packages and it is also the more widely used estimation method (Anderson and Gerbing 1988; Baumgartner and Homburg 1996; Bollen 1989; Diamantopoulos and Siguaw 2000). ML is quite consistent at producing efficient estimation and is rather robust against moderate violations of the normality assumption (Diamantopoulos and Siguaw 2000), provided that the sample comprises 100 or more observations (Anderson and Gerbing 1988; Steenkamp and van Trijp 1991). Despite the existence of asymptotically distribution-free (ADF) methods, i.e., that make no assumptions on the

distribution of the variables, these ADF procedures are of little practical usefulness, because they imply the use of very large samples (Baumgartner and Homburg 1996; Diamantopoulos and Siguaw 2000; Steenkamp and van Trijp 1991). In addition, it has been proven that ADF techniques do not necessarily yield better performances even when they are theoretically considered more appropriate (Baumgartner and Homburg 1996). One option could be to use weighted least squares (WLS) – an example of an ADF method – as estimation technique on an asymptotic covariance matrix, which can be calculated with PRELIS – a pre-processor for LISREL (Jöreskog and Sörbom 2002; Jöreskog et al. 2001) – and try to collect as much data as possible. But, then again, it has been shown that WLS can be troublesome, namely regarding the chi-square test statistic, even with large samples (Diamantopoulos and Siguaw 2000). According to Steenkamp and van Trijp (1991), the utilisation of WLS requires a sample as large as at least  $1.5 * (\text{number of items}) * (\text{number of items} + 1)$ , which, in the case of the present study, would imply a sample with more than 5.800 observations. In this context, ML is the option in terms of the technique for estimating the structural parameters in this research;

iii) Two-step analysis: in this study, the measurement model was estimated separately and prior to the estimation of the structural model, following Anderson and Gerbing's (1988) two-step approach for structural equation modelling, as already mentioned. It was felt that this would be the most appropriate approach for the context of the present study, due to its advantages, as compared to the single-step analysis, which, on the contrary, involves the simultaneous estimation of both measurement and structural models. Essentially, this approach allows for the unidimensional construct measurement, and facilitates formal comparisons between the proposed model and alternative models (for a summary of the mentioned advantages see page 422 of Anderson and Gerbing, 1988);

iv) Level of abstraction: According to Baumgartner and Homburg (1996) there are three levels of abstraction in modelling latent variables: total aggregation, partial aggregation, and total disaggregation. The partial aggregation approach, in which subsets of items are combined into composites that are then treated as indicators of the constructs, was considered the most appropriate for testing the structural model in this study (to be presented in the next chapter), whereas the total disaggregation approach is used for model calibration. The partial aggregation approach minimises model complexity, in comparison to the total disaggregation approach, in which the original items are used as indicators of



each construct. The latter method, though useful for model development, becomes unmanageable for the purpose of testing the whole model, particularly with large sample sizes and when there are more than four or five manifest indicators (Bagozzi and Heatherton 1994; Baumgartner and Homburg 1996), which is the case in the present study. In addition, the partial aggregation approach considers reliability more clearly, while allowing for assessment of unidimensionality, this way providing support for the combination of subsets of items into composites, instead of combining them arbitrarily, as in the total aggregation approach, where all the items form a single composite and each construct has a single indicator (Baumgartner and Homburg 1996);

v) Summated scales: Hunter and Gerbing (1982, p. 271) emphasise the practice of using composites by stating that 'the usual method of finding the common thread through several responses is to add or average them'. Moreover, these authors highlight the appropriateness of this practice because computing composites means that 'the observed variables, for example, the items on a questionnaire, are organized into clusters or tests or scales such that each cluster of observed variables corresponds to a single underlying latent variable. The average score across the items that define the cluster, the 'cluster score', provides a level of analysis that is intermediate to the molar and molecular' (Hunter and Gerbing 1982, p. 271)<sup>1</sup>. The same authors go on to explain why averaged scores may lead to greater reliability: 'If the items satisfy the empirical procedures of construct validation, then the composite is potentially a more reliable and valid estimate of the latent variable of interest than any of the component single item responses' (Hunter and Gerbing 1982, p. 271).

Therefore, and in coherence with the option for the partial aggregation level of abstraction, composites were built for each of the latent variables. The creation of summated (or composite, or averaged) scales (or measures, or scores) is a widely used procedure, namely in the marketing literature, being 'practically unavoidable' when there is a relatively large number of indicators (Baumgartner and Homburg 1996, p. 144), and presents two major advantages in relation to using single questions (items). In short, these two main advantages are the reduction of measurement error (i.e., greater reliability) and parsimony (Dillon et al. 2001; Grapentine 1995; Hair et al. 1998). In this case, the words of Dillon et al. (2001, pp. 63-64) are particularly pertinent:

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<sup>1</sup> The molar level refers to latent variables, also referred to as 'molar variables', and the molecular level refers to observed variables, also referred to as 'molecular variables' (Hunter and Gerbing 1982, p. 270).

'The formation of a composite (an average of a scale's items) may be preferred to the modelling of the individual component for two reasons: First, an average, whether over respondents or items, lends stability (literally enhanced reliability here) to the resultant composite variable (...). Second, the composite can be simpler, both to conceptualize and communicate and to use in models. (...). Even a structural equations model (SEM), an approach to data analysis created as a perfect partnership of a measurement model and a structural model, seems to behave with somewhat more stability in the presence of parsimony (in this case, simplifying the measurement end of the model). (...) Although a composite is not the measurement of the construct, its greater reliability means that the particular idiosyncrasies of the component items have less power to yield misleading results'.

In the present study, scores of the items pertaining to each construct that resulted from the measurement model evaluation carried out in this chapter were averaged to form composites to be used in the assessment of the structural model, which is going to be conducted in the next chapter. It was possible to combine items and use them as composites, due to, again, the proven psychometric properties of the measures, namely unidimensionality (Baumgartner and Homburg 1996; Dillon et al. 2001; Hair et al. 1998), as shown in the next sections. In other words, items that pertained to the same cluster, which, after EFA and CFA procedures, were proven to form a unidimensional set, ended up resulting in a certain summated scale or composite that was then used within the process of assessing the structural model (to be described in the next chapter). In the context of the partial aggregation approach, the composites of items were treated as indicators of constructs, and error variances of the single-indicator constructs (i.e., constructs with only one dimension, in which case the path between construct and dimension was fixed to 1) were fixed to (1-reliability) times the variance of the indicator (Bagozzi and Heatherton 1994; Baumgartner and Homburg 1996);

vi) Set of fit indices: while there is no consensus on the appropriate index for assessing overall goodness-of-fit of a model (Ping 2004), the chi-square statistic has been the most widely used fit index (Bagozzi and Heatherton 1994; Baumgartner and Homburg 1996; Ping 2004). The chi-square test measures the discrepancy between a hypothesized model and data (Bagozzi and Heatherton 1994), by testing 'the null hypothesis that the estimated variance-covariance matrix deviates from the sample variance-covariance matrix only because of sampling error' (Baumgartner and Homburg 1996, p. 149). Significant values of the chi-square test mean that there is a strong divergence between the data and the model, and that the latter should be rejected. However, the chi-square goodness-of-fit test tends to reject model-to-fit data as the sample size increases, leading to the rejection of models with only slight divergences from the data, which limits its practical usefulness (Baumgartner and Homburg 1996). In this context, it is advisable to report additional measures of fit (Bagozzi and Heatherton 1994; Baumgartner and Homburg 1996). The following fit indices

were chosen for this study, based on suggestions that can be found in previous studies (Baumgartner and Homburg 1996; Ping 2004). Four of these indices are absolute fit indices, which assess the overall model-to-data fit for structural and measurement models together (Bollen 1989; Hair et al. 1998): chi-square goodness-of-fit test ( $\chi^2$ ), ratio of  $\chi^2$  to degrees of freedom ( $\chi^2/\text{df}$ ), root mean squared error of approximation (RMSEA), goodness-of-fit index (GFI), and adjusted goodness-of-fit index (AGFI); whereas the remaining two are incremental fit indices – meaning that they compare the target model to the fit of a baseline model, normally one in which all observed variables are assumed to be uncorrelated (Baumgartner and Homburg 1996): comparative fit index (CFI), and non-normed fit index (NNFI). Table 6.1 presents a description of these indices and suggested cut-offs.

Table 6.1: Descriptions and thresholds of goodness-of-fit indices used in the assessment of both measurement and structural models.

Fit Index	Description	Cut-Offs
$\chi^2$	Indicates the discrepancy between hypothesized model and data; Tests the null hypothesis that the estimated covariance-variance matrix deviates from the sample variance-covariance matrix only because of sampling error.	$p > .05$
$\chi^2/\text{df}$	Because the chi-square test is sensitive to sample size and is only meaningful if the degrees of freedom are taken into account, its value is divided by the number of degrees of freedom.	2 to 1 or 3 to 1
RMSEA	Shows how well the model fits the population covariance matrix, taken the number of degrees of freedom into consideration.	$< .05$ : good fit; $< .08$ : reasonable fit
GFI	Comparison of the squared residuals from prediction with the actual data, not adjusted for the degrees of freedom.	$> .90$
AGFI	GFI adjusted for the degrees of freedom in the model.	$> .90$
NNFI	Shows how much better the model fits, compared to a baseline model, normally the null model, adjusted for the degrees of freedom (can take values greater than one).	$> .90$
CFI	Shows how much better the model fits, compared to a baseline model, normally the null model, adjusted for the degrees of freedom.	$> .90$

Source: Based on Bagozzi and Yi 1988; Baumgartner and Homburg 1996; Cote et al. 2001; Diamantopoulos and Siguaw 2000; MacCallum et al. 1996; Ping 2004.

### 6.3 Data Screening Prior to Model Estimation and Testing

To begin with, the data matrix was checked for coding errors. In those cases where coding errors were detected, the original questionnaire was used to correct these errors (Baumgartner and Homburg 1996; Churchill 1999; Green et al. 1988). Also, variables were recoded where necessary, namely regarding reverse coded items. Moreover, an inspection of the matrix was carried out with the objective of identifying extreme values that might pose some danger in terms of distorting influences, and no such values were found.

In addition, cases incorporating missing values were deleted prior to data analysis, following a listwise approach. There are several ways to approach missing values, like, for example, substitution (e.g., case substitution and mean

substitution), imputation (e.g., cold deck imputation, regression imputation, and multiple imputation), and model-based procedures (Hair et al. 1998). All methods for dealing with missing data contain advantages and disadvantages (Hair et al. 1998; Streiner 2002). Moreover, the solutions offered in statistical packages, like, for instance, listwise and pairwise deletion, regression imputation, and expectation-maximization, included in the MVA (Missing Value Analysis) from SPSS Inc., seem to be insufficient and introduce bias in the analysis (Von Hippel 2004). Nevertheless, listwise case deletion is considered appropriate when the proportion of missing values is not too high (Hair et al. 1998), which is the case in this study, with around 5.4% of cases containing missing values. Taking also into consideration that this study's quantitative analysis is based on a relatively large sample, listwise deletion was the selected approach to missing values.

In SEM it is always necessary to consider the issue of normality assumption. SEM is rather sensitive to the characteristics of the distribution of data, especially departures from multivariate normality. Severe violations of the normality assumption can be worrisome due to the possibility of inflating chi-square statistics, causing bias in critical values for determining coefficient significance, and affecting standard errors (Baumgartner and Homburg 1996; Hair et al. 1998; Steenkamp and van Trijp 1991). Also, one of the assumptions of the estimation technique ML is the normality of the variables (Cortina et al. 2001). As far as normality is concerned, PRELIS 2.72 was used to conduct tests of normality with reference to the values of skewness and kurtosis of the observed variables (Bollen 1989). All observed variables revealed significant kurtosis and skewness p-values, in terms of multivariate normality tests, which might suggest a potential departure from normality. Nevertheless, in the case under consideration, skewness seems to be more problematic than kurtosis, taking into consideration that, in terms of univariate normality tests, all p-values regarding the former are significant, contrary to what happens in relation to the latter, with several non-significant p-values. Still, this could constitute a problem, namely because of potential bias in parameter estimates and because it can raise questions related to the estimation technique used (as mentioned, ML depends on the assumption of multivariate normality). However, and according to Hair et al. (1998), large sample sizes, which is the case in this study, tend to mitigate violations of the normality assumption caused by excessive kurtosis - which is more problematic than skewness, according to Bollen (1989) -, namely by reducing biases in parameter estimates. In addition, also as already mentioned, the adopted estimation technique, ML, is robust against several types of the

violation of the multivariate normality assumption (Bollen 1989). Also, the ML estimator provides goodness-of-fit values 'similar to those produced by the robust Satorra and Bentler (1988) estimator', and shows a superior performance in terms of 'bias in parameter estimates, Type I error rates, and power' (Cortina et al. 2001, p. 326). Furthermore, and specifically in relation to the calibration sample, the measure of relative multivariate kurtosis, printed by the PRELIS program (Jöreskog and Sörbom 2002) was 1.078. This value is considered relatively small and, therefore, it appears that, in spite of the items that do not show univariate normality, collectively the multivariate distribution is reasonably normal, similarly to what was concluded in previous analyses (e.g. Benson and Bandalos 1992). Moreover, and as Barnes et al. (2001, p. 80) put it, 'variables are rarely normally distributed (...). Probably in strict terms the question is a non-issue from the beginning: Virtually no variable follows the normal distribution'. These authors go on to state that 'by definition, data that come from 7-point scales are not normally distributed. In fact, the distribution of variables measured on such scales are often skewed toward one end of the scale, uniform, or even bimodal.' (Barnes et al. 2001, p. 81). In this context, these authors suggest that, for practical purposes, and if, as is the case of the data collected for this study, 'the distributions of the sample variables are not wildly non-normal' (Barnes et al. 2001, p. 80), ML can be used, for its results are probably reliable in most situations. The option in this study was to follow this suggestion and not transform non-normally distributed variables, for this procedure could represent more problems by changing the meaning of actual responses (Anderson et al. 1987; Gassenheimer et al. 1998).

As far as the sample size is concerned, it is noteworthy to mention that the final sample (either the total sample or each of the halves) contains a sufficient number of cases in relation to the parameters to be estimated. In SEM, the estimation and testing methods are based on asymptotic theory and the validity of the parameter estimates and test statistics depends on large samples (Baumgartner and Homburg 1996). While there is little empirical and theoretical indication of what is a large sample in this context, one rule of thumb is that, under normal distribution theory, 'the ratio of sample size to the number of free parameters should be at least 5:1 to get trustworthy parameter estimates, and (...) higher (at least 10:1, say) to obtain appropriate significant tests' (Baumgartner and Homburg 1996, p. 146). The most stringent of these criteria is satisfied in this study, given that the most complex model (the second-order confirmatory factor analysis for the customer orientation construct, see section

6.4.1) estimated 44 parameters, less than ten times the size of the calibration sample, which contains 474 cases.

Finally, a test for common method bias was conducted using the Harman's single-factor test (Podsakoff and Organ 1986; Podsakoff et al. 2003) as an additional scrutiny of the validity of the results. Common method bias may cause problems, namely by leading to inflated estimates of the relationships between the constructs, when data for the independent and dependent constructs are collected from single informants (Podsakoff and Organ 1986). Although there are other approaches to assess the issue of common method bias, namely partial correlation (partialling out social desirability, a 'marker' variable, or a general factor score), single-method-scale-score (controlling for the effects of a directly measured latent methods factor), single-method-factor (controlling for the effects of a single unmeasured latent method factor), and multiple-method-factor (e.g. the MTMM – multitrait-multimethod, which allows for the control of method variance and random error) - see Podsakoff et al. 2003, p. 896, for a summary of requirements and disadvantages of these approaches -, in this research the option was to also use the Harman's single factor-test. This not only because this test is one of the most widely used approaches by researchers, but also taking into consideration that some *a priori* procedural remedies were employed, namely protecting respondent anonymity and reducing evaluation apprehension, counterbalancing question order, and improving scale items, as also suggested by Podsakoff et al. (2003). In addition, this procedure, which consists in loading all the variables under analysis into an EFA and examining the unrotated factor solution (Podsakoff et al. 2003), is also in line with the trend characterising previous approaches in the management and marketing areas (e. g. Green et al. 2005; Voss et al. 2005). According to Podsakoff et al. (2003, p. 881), 'if a substantial amount of common method variance is present, either (a) a single factor will emerge from the factor analysis or (b) one general factor will account for the majority of the covariance among the measures'. In the case of the present analysis, (a) the factor analysis revealed several factors, and (b) a 'general' factor was not identified. Taking into consideration that, according to Podsakoff et al. (2003) only one of these conditions is required, the fact that this study fulfils both requirements reinforces the suggestion that there are strong reasons to believe that common method bias does not represent a problem in this investigation, as also suggested by Podsakoff and Organ (1986).

Having described the decisions relating to the analysis strategy, as well as the data screening procedures, the next sections cover the assessment of the measurement model, starting with the exogenous variables.

## 6.4 Assessment of Measurement Model for Exogenous Variables

### 6.4.1 Customer Orientation

The results of the EFA conducted for the 24 items measuring customer orientation identified a three-factor structure (see Table 6.2). The values observed for the Bartlett's test of sphericity ( $p=0.000$ ) and the value of the Kaiser-Meyer-Olkin measure of sampling adequacy ( $KMO=0.949$ ) are strong and significant, suggesting that factor analysis is adequate for this data. An examination of both the eigenvalues and the scree plot helped inform the decision of retaining these three factors, accounting for a total variance explained of around 60% - in social sciences, an explained variance of 60%, and sometimes less, is acceptable, according to Hair et al. (1998). As far as communalities are concerned, the low values of items COR1 and COR24RC suggest the removal of these items. The examination of the inter-items correlations corroborates this scenario, with items COR1 and COR24RC showing the lowest correlations, irrespectively of the factor considered. The rest of the items loaded highly and significantly onto the respective factor – the lowest loading was observed for COR23 (.687) - and correlated significantly with the other items pertaining to the same factor.

Taking into consideration both the precursor study by Saxe and Weitz (1982) and the content meaning of the questions included in each factor, factor 1 was named *problem solving behaviour* (PSB), which broadly refers to the ability of the client manager to provide expert counselling on the client's present and future needs (Crosby 1989), and factor 2 *selling orientation* (SO), in line with more recent propositions (Bejou et al. 1996; Periatt et al. 2004; Sirdeshmukh and Sabol 2002; Thomas et al. 2001; Wray et al. 1994). Factor 3 was named *selling ethics* (SE), again due to the content meaning implicit in the items comprising this factor, consistent with a perspective that can also be found in the literature (e.g. Bejou et al. 1998; Bejou et al. 1996; Dorsch et al. 1998; Lagace et al. 1991; Roberts et al. 2003; Wray et al. 1994). The tests with the Cronbach's alpha reliability coefficient suggested that all items should be retained in their respective factors, with the exception of the above mentioned COR1 and COR24RC.

Table 6.2: Principal Components Analysis for Customer Orientation (COR).

	<b>F1<sup>1</sup></b>	<b>F2<sup>1</sup></b>	<b>F3<sup>1</sup></b>
	Problem Solving Behaviour (PSB)	Selling Orientation (SO)	Selling Ethics (SE)
COR1 Our client manager helps us achieve our goals <sup>a</sup>			
COR2 Our client manager tries to achieve his/her goals by satisfying us <sup>a</sup>	.836		
COR3 Our client manager has our best interest in mind <sup>a</sup>	.776		
COR4 Our client manager tries to get us to discuss our needs with him/her <sup>a</sup>	.795		
COR6 Our client manager recommends suitable solutions for us <sup>a</sup>	.787		
COR7 Our client manager tries to find best services for us <sup>a</sup>	.826		
COR8 Our client manager answers our questions correctly <sup>a</sup>	.774		
COR9 Our client manager tries to match the hotel's solutions with our problems <sup>a</sup>	.737		
COR10 Our client manager is willing to disagree with us in order to help us make a better decision <sup>a</sup>	.842		
COR11 Our client manager tries to give us an accurate expectation of what the product will do for us <sup>a</sup>	.818		
COR12 Our client manager tries to figure out our needs <sup>a</sup>	.795		
COR13RC Our client manager tries to sell us all (s)he convinces us to buy, even if we think it is more than a wise customer would buy <sup>a</sup>		.772	
COR14RC Our client manager tries to sell as much as (s)he can rather than to satisfy us <sup>a</sup>		.819	
COR18RC Our client manager paints too rosy a picture of his/her services, to make them sound as good as possible <sup>a</sup>		.840	
COR19RC Our client manager spends more time trying to persuade us to buy than trying to discover our needs <sup>a</sup>		.795	
COR21RC Our client manager pretends to agree with us to please us <sup>a</sup>		.826	
COR22RC Our client manager implies to us that something is beyond his/her control when it is not <sup>a</sup>		.795	
COR5 Our client manager tries to influence by information rather than by pressure <sup>a</sup>			.755
COR15RC Our client manager keeps alert for weaknesses on a person's personality so (s)he can use them to put pressure to buy <sup>a</sup>			.796
COR16RC Our client manager if (s)he is not sure a service is right for us, (s)he will still apply pressure to get us to buy <sup>a</sup>			.774
COR17RC Our client manager decides what services to offer on the basis of what (s)he can convince us to buy, not on what will satisfy us <sup>a</sup>			.811
COR20RC Our client manager stretches a truth in describing a service <sup>a</sup>			.787
COR23RC Our client manager begins the sales talk for a service before exploring our needs <sup>a</sup>			.687
COR24RC Our client manager treats us as rivals <sup>a</sup>			
1-All Values significant at $p < .05$ ; Values $< .40$ have been suppressed.			
a-Adapted from Saxe and Weitz, 1982 ( $.83 < \alpha < .86$ ).			
RC: reverse coded.			
<b>Explained Variance</b>	41.6%	10.3%	8%
<b>Cronbach's Alpha</b>	.937	.891	.864



#### 6.4.1.1 Dimensionality Tests for Customer Orientation

Anderson and Gerbing (1988, p. 414) express the importance of unidimensional measurement in the following terms:

'Achieving unidimensional measurement (...) is a crucial undertaking in theory testing and development. A necessary condition for assigning meaning to estimated constructs is that the measures that are posited as alternate indicators of each construct must be acceptably unidimensional. That is, each set of alternate indicators has only one underlying trait or construct in common (...).'

EFA is generally acknowledged as insufficient for the assessment of dimensionality (Hunter and Gerbing 1982; Rubio et al. 2001). In this case, the EFA suggested three factors, which are correlated among them and seem to be measuring a higher-order construct, customer orientation. In other words, the higher-order factor, customer orientation, would account for the relation between the lower order factors, PSB, SO, and SE (Benson and Bandalos 1992; Hunter and Gerbing 1982; Rubio et al. 2001). According to Byrne (2001), in this case, the fit statistics resulting from the model will be equivalent, either if it is parameterized as a first-order or a second-order structure. The second-order model is equivalent to the first-order model, only the former is a special case of the latter, an alternative account of the association between the first-order factors (Byrne 2001; Kline 2005). The decision on whether to model a certain measurement instrument as first or second-order structure relies ultimately on what theory suggests (Byrne 2001; Garver and Mentzer 1999). In this context, it was felt that a second-order structure should be tested, in line with previous approaches to customer orientation (e.g. Perriatt et al. 2004; Thomas et al. 2001).

EFA is not able to test models with higher-order factors (Hunter and Gerbing 1982; Rubio et al. 2001), but this can be done through confirmatory factor analysis, namely using SEM. For dimensionality purposes, EFA gives a valuable but insufficient indication that must be tested through CFA. In the present case, EFA apparently suggests a second-order factor structure composed by a higher-order construct, customer orientation, comprising three lower-order dimensions, PSB, SO, and SE - each of these being, in turn, unidimensional. The object of analysis is, therefore, whether unidimensionality holds for each of the first-order factors or dimensions (Steenkamp and van Trijp 1991). Thereby, despite the equivalence between first-order and second-order structure mentioned in the last paragraph, a second-order CFA using SEM was deemed useful for clarification purposes. This CFA was performed on the items relating to customer orientation, aiming at finding out whether there is support for the second-order factor structure, and for the unidimensionality of each of the three first-order

constructs – being the latter the CFA's primary object of attention. The overall model fit statistics in LISREL are within the generally accepted thresholds and suggest an acceptable goodness-of-fit (see Table 6.3). In fact, though the Chi-Square test is significant ( $\chi^2 = 408.207$ ,  $p=0.0000$ ), the ratio chi-square/degrees of freedom is below 2 ( $df=206$ ,  $\chi^2/df=1.98$ ) – normally a ratio in the range of 2 to 1 or 3 to 1, is indicative of an acceptable fit (Cote et al. 2001). In addition, the Goodness of Fit Index (GFI =.93), the Adjusted Goodness of Fit Index (AGFI =.91), the Non-Normed Fit Index (NNFI=.99), and the Comparative Fit Index (CFI=.99), as well as the Root Mean Square Error of Approximation (RMSEA=.046) are indicating good fit (Diamantopoulos and Siguaw 2000; MacCallum et al. 1996).

Although these results seem to suggest sufficient support for both the second-order factor structure and unidimensionality of each of the first-order constructs, it is advisable to further investigate potential threats to unidimensionality. A possible evidence of potential threats to unidimensionality is the number of absolute values above 2.58 in the matrix of standardised residuals, which may indicate that the model might not satisfactorily estimate the relationship between a given pair of variables. The 'standard' cut-off is a standardized residual above 2.58, corresponding to a  $p$ -value  $< .01$  (Gerbing and Anderson 1988; Jöreskog and Sörbom 2001; Steenkamp and van Trijp 1991). Though the cut-off has been also referred to be standardised residuals with an absolute value greater than 3 (Jöreskog and Sörbom 1993), the researcher adopts herein the more stringent criteria. Modification indices above 5 may also be another sign of potential threats to unidimensionality (Anderson and Gerbing 1988; Gefen 2003). If the event that the LISREL output suggests potential dimensionality problems, unidimensionality can be improved by tackling the most problematic pairs of items, being the addition of error covariances between items the most commonly used way of improving the model fit (Baumgartner and Homburg 1996; Diamantopoulos and Siguaw 2000; Ping 2004). The pairs of items should be analysed one at a time, for a high degree of shared variance between a pair of items can affect the shared variance between other pairs. However, it is crucial that the researcher is cautious enough neither to cause the overfitting of the model nor to be data driven, but rather driving the analysis primarily through theory (Gerbing and Anderson 1988).

In this case, the standard residuals above 2.58 represent less than 6% of the total of pairs of the matrix of standard residuals and modification indices above 5.0 also less than 6% of the total of pairs. The question is thus whether the

number of potential problematic cases justifies the addition of error covariances. In this context, no error covariances were allowed between items, a decision that was mainly based on the following criteria: First, there was no evidence in the literature suggesting the addition of error covariances, and doing so would only be capitalising on chance (Cote et al. 2001); Second, some authors argue that the existence of within-factor correlated measurement errors may prevent the constructs from being unidimensional (Cote et al. 2001); Third, the addition of error covariances would only serve to improve this particular model's fit, given that the structural model is going to be tested under the partial aggregation model approach (as explained in section 6.2) and, thus, the addition of error covariances will become irrelevant as soon as summated scales are computed.

Overall and in sum, taking also into consideration that items loaded strongly and significantly on unique factors, results suggest sufficient evidence of unidimensionality for each of the three dimensions of customer orientation, PSB, SO, and SE.

Because unidimensionality is a crucial and necessary, but not sufficient, condition for construct validity (Anderson and Gerbing 1988), the following sections address the issues of convergent and discriminant validity, as well as reliability. Table 6.3 shows the CFA results, including the correlation between the dimensions of the customer orientation construct, the composite reliability<sup>2</sup> and the average variance extracted<sup>3</sup>, computed for each construct.

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<sup>2</sup> Composite reliability is calculated by using the information from LISREL's completely standardized solution and applying the following formula:  $\rho_c = (\sum \lambda)^2 / [(\sum \lambda)^2 + \sum(\theta)]$ , where  $\rho_c$  = composite reliability,  $\lambda$  = indicator loadings,  $\theta$  = indicator error variances, and  $\sum$  = summation over the indicators of the latent variable (Diamantopoulos and Siguaw 2000).

<sup>3</sup> Average variance extracted is calculated by using the information from LISREL's completely standardized solution and applying the following formula:  $\rho_v = (\sum \lambda^2) / [\sum \lambda^2 + \sum(\theta)]$ , where  $\rho_v$  = average variance extracted,  $\lambda$  = indicator loadings,  $\theta$  = indicator error variances, and  $\sum$  = summation over the indicators of the latent variable (Diamantopoulos and Siguaw 2000).

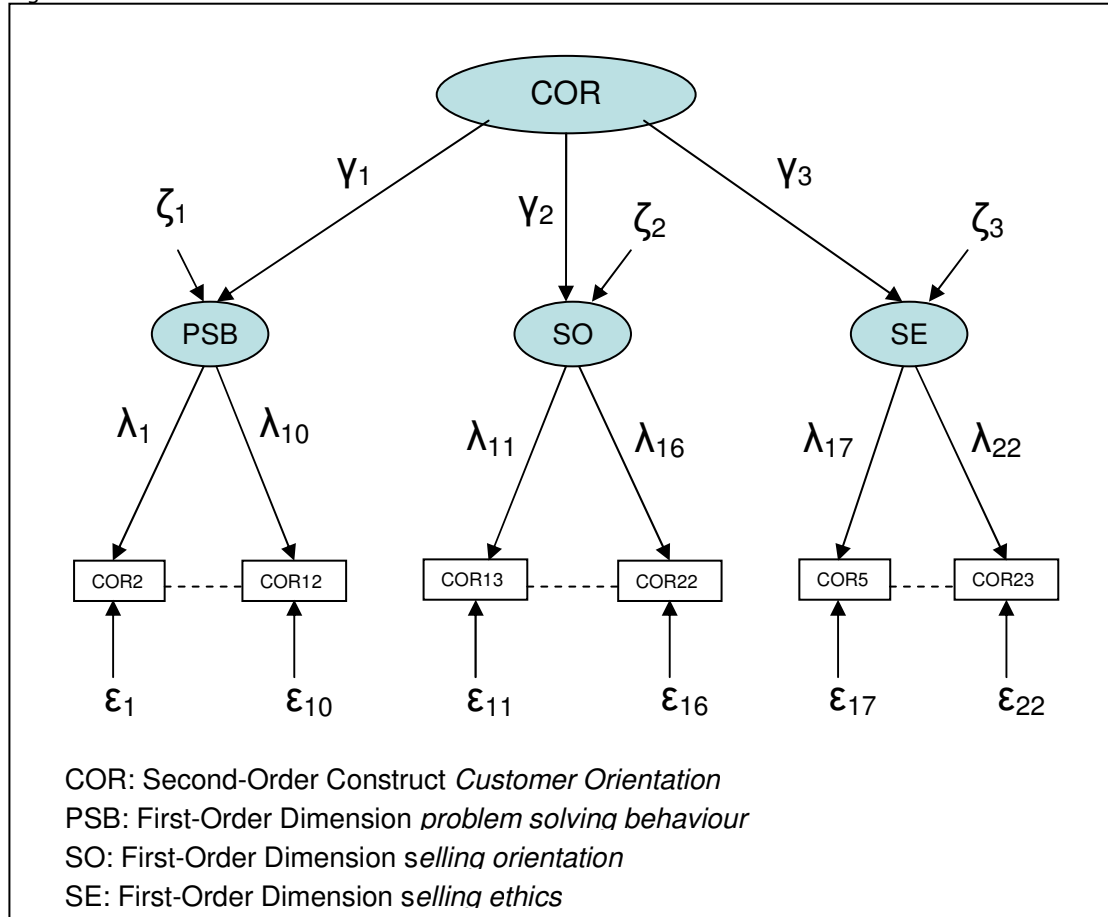
Table 6.3: Confirmatory Factor Analysis for Customer Orientation (COR).

ITEMS AND STANDARDIZED FACTOR COEFFICIENTS*	PSB	SO	SE
COR2 Client manager tries to achieve his/her goals by satisfying us	.74		
COR3 Our client manager has our best interest in mind	.74		
COR4 Client manager tries to get us to discuss our needs with him/her	.81		
COR6 Our client manager recommends suitable solutions for us	.85		
COR7 Our client manager tries to find best services for us	.82		
COR8 Our client manager answers our questions correctly	.83		
COR9 Our client manager tries to match the hotel's solutions with our problems	.63		
COR10 Our client manager is willing to disagree with us in order to help us make a better decision	.80		
COR11 Our client manager tries to give us an accurate expectation of what the product will do for us	.81		
COR12 Our client manager tries to figure out our needs	.73		
COR13RC Our client manager tries to sell us all (s)he convinces us to buy, even if we think it is more than a wise customer would buy		.73	
COR14RC Our client manager tries to sell as much as (s)he can rather than to satisfy us		.80	
COR18RC Our client manager paints too rosy a picture of his/her services, to make them sound as good as possible		.78	
COR19RC Our client manager spends more time trying to persuade us to buy than trying to discover our needs		.77	
COR21RC Our client manager pretends to agree with us to please us		.76	
COR22RC Our client manager implies to us that something is beyond his/her control when it is not		.72	
COR5 Our client manager tries to influence by information rather than by pressure			.76
COR15RC Our client manager keeps alert for weaknesses on a person's personality so (s)he can use them to put pressure to buy			.67
COR16RC Our client manager if (s)he is not sure a service is right for us, (s)he will still apply pressure to get us to buy			.73
COR17RC Our client manager decides what services to offer on the basis of what (s)he can convince us to buy, not on what will satisfy us			.69
COR20RC Our client manager stretches a truth in describing a service			.74
COR23RC Our client manager begins the sales talk for a service before exploring our needs			.71
*All values were significant at $p < .05$ PSB: Problem Solving Behaviour; SO: Selling Orientation; SE: Selling Ethics; RC: reverse coded.			
<b>AVERAGE VARIANCE EXTRACTED</b>	.61	.58	.52
<b>COMPOSITE RELIABILITY</b>	.939	.892	.866
<b>GOODNESS OF FIT STATISTICS</b>			
$\chi^2 = 408.207$ , ( $p = 0.00$ ), $df = 206$ , ( $\chi^2/df$ ) = 1.98, RMSEA = .046, GFI = .93, AGFI = .91, NNFI = .99, CFI = .99			
<b>CORRELATION BETWEEN FACTORS</b>	PSB↔SO	PSB↔SE	SO↔SE
	.63	.53	.51
<b><math>\chi^2</math> DIFFERENCES FOR STANDARD VS. 'NON-DISCRIMINANT' CFA MODELS (<math>\Delta df = 1</math>, <math>p = .000</math>)</b>	PSB↔SO	PSB↔SE	SO↔SE
	1408.22	1312.12	1270.27

#### 6.4.1.2 Convergent Validity Tests for Customer Orientation

In first-order models, convergent validity is supported if each observable variable loads significantly (i.e., coefficients must be greater than twice its standard error) on the latent variable that they are purported to measure (Anderson and Gerbing 1988; Hair et al. 1998; Steenkamp and van Trijp 1991), which is the case here, regarding all the twenty-two items retained (10 for PSB, 6 for SO, and 6 for SE). This evidence of convergent validity is then reinforced by the substantial - that is, larger than .50 (Hildebrandt 1987; Steenkamp and van Trijp 1991) - loadings for all the items. A benchmark of .70 has also been suggested for a parameter estimate indicating convergent validity to be considered as exhibiting substantial magnitude (Garver and Mentzer 1999). This is true for the majority of the parameter estimates. Exceptions are items COR15RC (.67) and COR17RC (.69). The evidence of convergent validity is further strengthened by the good overall fit of the model (Steenkamp and van Trijp 1991). In second-order CFA, however, an additional requirement has to be accomplished for assessing convergent validity: the relationships between the first-order factors and the second-order factor (i.e., the coefficients  $\gamma$  in Figure 6.1) must be significant (Benson and Bandalos 1992). This is also true for the model under analysis ( $\gamma_1=.57$ ,  $sd=.044$ ,  $t\text{-value}=13.01$ ;  $\gamma_2=.59$ ,  $sd=.046$ ,  $t\text{-value}=12.88$ ;  $\gamma_3=.55$ ,  $sd=.048$ ,  $t\text{-value}=11.42$ ), suggesting that there is sufficient evidence of convergent validity.

Figure 6.1: Second-Order CFA Model for Customer Orientation.



Source: Author.

#### 6.4.1.3 Reliability Tests for Customer Orientation

Reliability was examined after assessing unidimensionality and convergent validity, given that a construct can exhibit an acceptable reliability even if it does not meet the convergent validity criteria (Steenkamp and van Trijp 1991). Cronbach's alpha should be assessed only after unidimensionality has been proven (Gerbing and Anderson 1988), namely because, as Hunter and Gerbing (1982, p. 281) state, 'coefficient alpha provides an unbiased estimate of the reliability of the cluster score only if the scale is unidimensional'. Also, as Hulin et al. (2001) stated, it is possible for a number of items to be interrelated (i.e., show internal consistency) and still not be homogeneous (i.e. not be unidimensional). As can be observed in Table 6.3, Cronbach's alphas are above Nunnally's (1978) .70 threshold, suggesting adequate reliability. In addition, as can be read from Table 6.3, composite reliability for each of the components exceed Bagozzi and Yi's (1988) .60 cut-off, thus providing additional support for the constructs' acceptable reliability.

#### 6.4.1.4 Discriminant Validity Tests for Customer Orientation

Results suggest support for discriminant validity. To begin with, the correlation between the factors did not exceed .70, a signal of measure distinctness (Ping 2004). In fact, correlations are significantly different from unity, which suggests evidence for discriminant validity, according to Steenkamp and van Trijp (1991).

In addition, a series of CFA models were performed for each pair of constructs, in order to examine the Chi-Square differences between the standard model and the model with the correlations between the factors constrained to 1.0, i.e., the 'non-discriminant' model. The null hypothesis is that the constructs are indistinct. Discriminant validity is supported in case of rejection of the null hypothesis. The statistic of interest is the change in the  $\chi^2$  between the two models, for each pair. As can be read from Table 6.3, the difference is significant for all three pairs, thus providing further support for discriminant validity.

Finally, the constructs meet the Fornell and Larcker's (1981) more stringent criterion of discriminant validity, which states that the average variance extracted should be above .50, implying that the variance explained for by each factor is superior to the variance attributed to measurement error.

It should be noted that, although the factors are conceptually and empirically distinct, there is a considerable amount of shared variance among them. Therefore, we are in the presence of what Bagozzi and Heatherton (1994) refer to as the 'weak form' of discriminant validity.

#### 6.4.2 Relational Net Benefits

The results of the EFA conducted for the 17 items measuring relational net benefits suggested a two-factor structure (see Table 6.4). The values observed for the Bartlett's test of sphericity ( $P=0.0000$ ) and the value of the KMO (.942) are solid and significant, suggesting that factor analysis is adequate for this data. An examination of both the eigenvalues and the scree plot supported the decision of retaining these two factors, which account for a total variance explained around 59%. The low values of communalities for items RNB2, RNB4, RNB5RC, RNB6RC, RNB13 and RNB15, may anticipate the need for removal. These items exhibit poor loadings, except for RNB5RC, with a relatively moderate loading (.676). The rest of the items loaded highly and significantly onto the respective factor. An examination of the questionnaire responses seems to indicate that respondents appear to have had difficulties in understanding the

concept of relational net benefits. For example, with regard to items RNB2<sup>4</sup> and RNB4<sup>5</sup>, apparently respondents thought about economic benefits/rewards and costs/sacrifices instead, a confusion that had emerged also within the exploratory phase of this research as well. Despite the filtering of the pre-tests and the efforts of the researcher in terms of the adjustments introduced in the questionnaire (bearing in mind that one of the disadvantages of the questionnaire vs. face-to-face interviews is that there is no possibility of clarifying the meaning of the questions), this problem still remains and warrants further attention on the part of both researchers and practitioners.

Factor 1 was named *relative relational rewards* (RRR), for it can be said to reflect the balance between relational rewards and costs (Corsten and Kumar 2005; Rusbult 1983), comprising items RNB1, RNB3, RNB9, RNB10, RNB11, and RNB17. Factor 2 was labelled *relational investment and dependence* (RID), including items RNB7, RNB8, RNB12RC, RNB14, RNB16, whose content meaning seems to point to the relational investments made in the relationship and the dependence of the relationship (also referred to switching barriers or costs related to switching to an alternative service provider), a component that can also be found in previous literature (Allen and Meyer 1990; Dwyer et al. 1987; Geyskens et al. 1996; Palmatier et al. 2006; Wilson 1995). The results obtained for items RNB2, RNB4, RNB6RC, RNB13 and RNB15, in terms of communalities, factor loadings, and an examination of the inter-items correlations, compelled the removal of these items. In addition to this, the results of reliability tests (using the Cronbach's alpha reliability coefficient), determined the subsequent removal of item RNB5RC (Cronbach's  $\alpha$  raised from .901 to .918 for factor 2).

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<sup>4</sup> RNB2: In terms of rewards, this relationship is close to our ideal.

<sup>5</sup> RNB4: In terms of sacrifices, this relationship is close to our ideal



Table 6.4: Principal Components Analysis for Relational Net Benefits (RNB).

	<b>F1<sup>1</sup></b>	<b>F2<sup>1</sup></b>
	Relational Relative Rewards (RRR)	Relational Investment and Dependence (RID)
RNB1 This relationship is extremely rewarding <sup>a</sup>	.844	
RNB2 In terms of rewards, this relationship is close to our ideal <sup>a</sup>	.571	
RNB3RC This relationship is extremely costly <sup>a</sup>	.840	
RNB4 In terms of sacrifices, this relationship is close to our ideal <sup>a</sup>	.579	
RNB6RC All things considered, our alternative relationships are much better than this relationship <sup>a</sup>	.430	
RNB9 We like this partner very much <sup>a</sup>	.777	
RNB10 We have high consideration for this partner <sup>a</sup>	.872	
RNB11 We are extremely satisfied with this relationship <sup>a</sup>	.825	
RNB13 We would like this relationship to last for a lifetime <sup>a</sup>	.578	
RNB17 Overall, the benefits of this relationship outweigh the sacrifices <sup>a</sup>	.907	
RNB5RC In general, our alternatives to this relationship are extremely appealing <sup>a</sup>		.675
RNB7 All things considered, there are many benefits associated with this relationship that we would lose if the relationship were to end <sup>a</sup>		.842
RNB8 In general, we have invested a great deal in this relationship <sup>a</sup>		.837
RNB12RC It is extremely likely that we will end this relationship in the near future <sup>a</sup>		.861
RNB14 An alternative relationship would have to be extremely attractive for us to adopt it and end this relationship <sup>a</sup>		.837
RNB15 We are extremely 'attached' to our partner in this relationship <sup>a</sup>		.532
RNB16 We are extremely committed to this relationship <sup>a</sup>		.837
1-All Values significant at $p < .05$ ; Values $< .4$ have been suppressed.		
a-Adapted from Rusbult, 1983 ( $.32 < \alpha < .96$ ).		
RC: reverse coded.		
<b>Explained Variance</b>	48.3%	10.7%
<b>Cronbach's Alpha</b>	.936	.918

#### 6.4.2.1 Dimensionality Tests for Relational Net Benefits

A CFA was conducted on the items relating to relational net benefits. Although, analogous to customer orientation, relational net benefits is regarded as a higher-order construct, it was not adequate to perform a second-order CFA in this case, given that there are only two first-order factors and, thus, the model would be underidentified (see, for example, Rindskopf and Rose 1988). It would be possible to obtain an identified model, namely by fixing some parameters. However, this option was not considered, taking also into account that the lower-order and the higher-order models are equivalent, as mentioned before in this chapter. Using a rationale analogous to the one used for customer orientation, the overall model fit statistics in LISREL were considered quite acceptable, considering the generally accepted thresholds. In fact, though the Chi-Square test is significant, the ratio between the value of the Chi-square and the degrees of freedom is only slightly superior to 2, the value for RMSEA is only marginally

exceeding .05 - that is, in the very close vicinity of the threshold of good fit (Diamantopoulos and Siguaw 2000; MacCallum et al. 1996) - and the rest of the indices are clearly showing evidence of good fit (see Table 6.5).

As far as potential threats to unidimensionality are concerned, the matrix of standardized residuals reveals five absolute values above 2.58 and also five modification indices above 5.0 (around 7.5% of the total of pairs). Analogously, the researcher had to make the decision on whether to add error covariances. As mentioned before, bearing in mind that the researcher must be theory driven rather than data driven, no error covariances were allowed between items, due to not only the absence of support in theory, or any empirical evidence from the qualitative work, but also because of the adoption of the partial aggregation approach to the structural model. In addition, items loaded strongly and significantly on unique factors, thus underlining unidimensionality for each of the two dimensions of relational net benefits (RRR and RID), especially considering that no measures of fit improvement have been taken.

Although unidimensionality is a crucial property for measures, it is a necessary, but not sufficient condition for construct validity (Anderson and Gerbing 1988). Table 6.5 shows the final CFA results, including the correlation between the two dimensions of relational net benefits, the results of convergent and discriminant validity tests, as well as composite reliability and average variance extracted, computed for each construct. These issues are the subject of discussion in the following sections.

Table 6.5: Confirmatory Factor Analysis for Relational Net Benefits (RNB).

<b>ITEMS AND STANDARDIZED FACTOR COEFFICIENTS*</b>	<b>RRR</b>	<b>RID</b>
RNB1 This relationship is extremely rewarding	.78	
RNB3RC This relationship is extremely costly	.74	
RNB9 We like this partner very much	.87	
RNB10 We have high consideration for this partner	.89	
RNB11 We are extremely satisfied with this relationship	.87	
RNB17 Overall, the benefits of this relationship outweigh the sacrifices	.90	
RNB7 All things considered, there are many benefits associated with this relationship that we would lose if the relationship were to end		.82
RNB8 In general, we have invested a great deal in this relationship		.77
RNB12RC It is extremely likely that we will end this relationship in the near future		.87
RNB14 An alternative relationship would have to be extremely attractive for us to adopt it and end this relationship		.87
RNB16 We are extremely committed to this relationship		.82
*All values were significant at $p < .05$ RRR: Relative Relational Reward; RID: Relational Investment and Dependence; RC: reverse coded.		
<b>AVERAGE VARIANCE EXTRACTED</b>	.712	.691
<b>COMPOSITE RELIABILITY</b>	.936	.918
<b>GOODNESS OF FIT STATISTICS</b>		
$\chi^2 = 95.01$ , ( $p = 0.0000$ ), $df = 43$ , ( $\chi^2/df = 2.2$ , RMSEA = .051, GFI = .96, AGFI = .95, NNFI = .99, CFI = .99		
<b>CORRELATION BETWEEN FACTORS</b> .67		
<b><math>\chi^2</math> DIFFERENCE FOR 'NON-DISCRIMINANT'</b> ( $\Delta df=1$ , $p=.000$ )	1518.67	

#### 6.4.2.2 Convergent Validity Tests for Relational Net Benefits

Convergent validity was supported given that each item loaded significantly - coefficient greater than twice its standard error (Anderson and Gerbing 1988; Hair et al. 1998; Steenkamp and van Trijp 1991) - onto the respective latent variable. This assumption is strengthened by the fact that all factor regression coefficients are larger than .50, all the parameter estimates are higher than .70, and also because of the good overall fit of the model (Garver and Mentzer 1999; Hildebrandt 1987; Steenkamp and van Trijp 1991).

#### 6.4.2.3 Reliability Tests for Relational Net Benefits

Again, reliability was examined after assessing unidimensionality and convergent validity. As can be observed in Table 6.5, Cronbach's alphas are above Nunnally's (1978) .70 threshold, suggesting adequate reliability. In addition, as can be read from Table 6.5, composite reliability for each of the components exceed Bagozzi and Yi's (1988) .60 cut-off, thus providing additional support for the constructs' acceptable reliability.

#### 6.4.2.4 Discriminant Validity Tests for Relational Net Benefits

The results also offer support to discriminant validity. The correlation between the factors does not exceed .70, providing support for measure distinctness

(Ping 2004). In other words, and according to Steenkamp and van Trijp (1991), the correlation between the factors can be considered to be significantly different from unity, suggesting evidence for discriminant validity. In effect, when a CFA model is executed with the correlations between the factors constrained to 1.0, the Chi-Square difference is significant. In addition, the constructs meet the Fornell and Larcker's (1981) more stringent criterion of discriminant validity, which states that the average variance extracted should be above .50, implying that the variance explained for by each factor is superior to the variance attributed to measurement error.

Discriminant validity is therefore supported, though in its 'weak form' (Bagozzi and Heatherton 1994), given that, despite the factors being conceptually and empirically distinct, there is a considerable amount of shared variance among them.

#### 6.4.3 Communication

The EFA results for the 7 items measuring communication (see Table 6.6), suggested a one-factor structure. The values of the Bartlett's test of sphericity ( $p=0.0000$ ) and the KMO (.920) are high and significant, suggesting that factor analysis is adequate for this data. All items loaded highly and significantly onto the factor. The total variance explained is approximately 60%. An examination of the inter-item correlation matrix also corroborates the decision of keeping all the items in the scale, which yields a Cronbach's  $\alpha$  around 89%.

Table 6.6: Principal Components Analysis for Communication (COM).

	<b>F1<sup>1</sup></b>
	Communication (COM)
COM1 Our client manager genuinely enjoys helping us <sup>a</sup>	.822
COM2 Our client manager is easy to communicate with <sup>a</sup>	.711
COM3 Our client manager likes to help clients <sup>a</sup>	.773
COM4 Our client manager is a cooperative person <sup>a</sup>	.804
COM5 Our client manager tries to establish a personal relationship <sup>a</sup>	.771
COM6 Our client manager seems interested in us not only as a clients, but also as persons <sup>a</sup>	.786
COM7 Our client manager is friendly <sup>a</sup>	.794
1-All values significant at $p<.05$ ; Values $<.4$ have been suppressed.	
a-Adapted from Williams and Spiro, 1985 ( $\alpha=.85$ ).	
<b>Explained Variance</b>	60%
<b>Cronbach's Alpha</b>	.892

Table 6.7 presents the results for the CFA conducted on the items relating to communication. The next subsections address successively the issues of dimensionality, convergent validity, reliability, and discriminant validity.

Table 6.7: Confirmatory Factor Analysis for Communication (COM).

<b>STANDARDIZED FACTOR COEFFICIENTS*</b>	<b>COM</b>
COM1 Our client manager genuinely enjoys helping us	.79
COM2 Our client manager is easy to communicate with	.65
COM3 Our client manager likes to help clients	.72
COM4 Our client manager is a cooperative person	.77
COM5 Our client manager tries to establish a personal relationship	.73
COM6 Our client manager seems interested in us not only as a clients, but also as persons	.74
COM7 Our client manager is friendly	.76
*All Values were significant at $p < .05$	
COM: Communication	
<b>AVERAGE VARIANCE EXTRACTED</b>	.576
<b>COMPOSITE RELIABILITY</b>	.905
<b>GOODNESS OF FIT STATISTICS</b>	
$\chi^2 = 28.14$ , ( $p = 0.0136$ ), $df = 14$ , ( $\chi^2/df$ ) = 2.01,	
RMSEA = .046, GFI = .98, AGFI = .97, NNFI = .99, CFI = .99	

#### 6.4.3.1 Dimensionality Tests for Communication

There seems to be no major threats to unidimensionality regarding the construct of communication. The inspection of the matrix containing the standardized residuals revealed only one absolute value above 2.58 (Gerbing and Anderson 1988), also only one modification index above 5.0 for the error component (Anderson and Gerbing 1988; Gefen 2003). In addition, the model's goodness-of-fit indices are, on the whole, indicating good fit, which strengthens the support for unidimensionality.

#### 6.4.3.2 Convergent Validity Tests for Communication

The fact that each item loaded significantly onto the latent variable suggests support for convergent validity. This assumption is strengthened by the good overall fit of the model, by the fact that all loadings are larger than .50 (Hildebrandt 1987; Steenkamp and van Trijp 1991), and also because all the parameter estimates are larger than .70 (Garver and Mentzer 1999), with the exception of item COM2 (.65). In this context, there are strong reasons for considering that convergent validity for the communication construct is supported.

#### 6.4.3.3 Reliability Tests for Communication

Again, reliability was examined after assessing unidimensionality and convergent validity, given that a construct can exhibit an acceptable reliability even if it does not meet the convergent validity criteria (Steenkamp and van Trijp 1991). As can be observed in Table 6.7, Cronbach's alphas are above Nunnally's (1978)

.70 threshold, suggesting adequate reliability. In addition, as can be read from Table 6.7, composite reliability for each of the components exceed Bagozzi and Yi's (1988) .60 cut-off, thus providing further support for the constructs' adequate reliability.

#### 6.4.3.4 Discriminant Validity Tests for Communication

The results also suggest support to discriminant validity, given that the construct meets the Fornell and Larcker's (1981) more stringent criterion of discriminant validity.

To strengthen the evidence of discriminant validity, not only for the construct communication, but also across the measurement model for all the exogenous variables, a series of complementary CFA models were executed. Constructs were examined in those pairs that had not been covered in the previous CFA models. Again, the statistic of interest is the  $\chi^2$  difference between the two models, that is, standard model vs. 'non-discriminant' model (the latter being a model in which the correlation between the constructs is fixed to 1.00, and, therefore, with one more degree of freedom in relation to the standard model), for each pair. Table 6.8 shows the results of this procedure. All the  $\chi^2$  differences are significant at the  $p=.000$  level, thus providing additional evidence of construct validity for the totality of the constructs pertaining to the exogenous measurement model.

Table 6.8:  $\chi^2$  Differences, Standard Model vs. 'Non-Discriminant' – Exogenous Variables.

PAIR	$\chi^2$ DIFFERENCE *
PSB (Personal Selling Behaviour) ↔ RRR (Relative Relational Rewards)	3488.39
PSB (Personal Selling Behaviour) ↔ RID (Relational Investment and Dependence)	2170.41
PSB (Personal Selling Behaviour) ↔ COM (Communication)	2603.48
SO (Selling Orientation) ↔ RRR (Relative Relational Rewards)	2232.34
SO (Selling Orientation) ↔ RID (Relational Investment and Dependence)	2290.93
SO (Selling Orientation) ↔ COM (Communication)	2231.05
SE (Selling Ethics) ↔ RRR (Relative Relational Rewards)	1704.22
SE (Selling Ethics) ↔ RID (Relational Investment and Dependence)	1757.39
SE (Selling Ethics) ↔ COM (Communication)	1673.78
RRR (Relative Relational Rewards) ↔ COM (Communication)	2761.27
RID (Relational Investment and Dependence) ↔ COM (Communication)	2768.44
*( $\Delta df=1$ , $p=.0000$ )	

## 6.5 Assessment of Measurement Model for Endogenous Variables

### 6.5.1 Relationship Quality

Some preliminary observations regarding the issue of construct validity are deemed necessary prior to running the analysis on the items measuring relationship quality (RQ). Although the pre-testing phase did not reveal any potential overlap between the items included in the questionnaire, a closer

inspection suggests that there might be reasons to further investigate this issue. Indeed, some of items of the selling orientation (SO) scale (one of the dimensions of customer orientation – see section 6.4.1) seem to be potentially overlapping with some of the items measuring the trust dimension of RQ (RQT). To briefly recap, customer orientation was defined as the degree to which salespeople adopt behaviours aiming at increasing the customer's long-term satisfaction (Saxe and Weitz 1982), and trust was defined as the ability and willingness to rely on the salesperson's integrity and behaviour so that the long-term expectations of the buyer will be met (Crosby et al. 1990). The emphasis in the conceptual definition of customer orientation on adopting behaviours to achieve customer's satisfaction suggests that the items measuring SO (revisit Table 6.3) should be kept in the analysis, given that they express actual behaviour. The fact that the RQT scale includes a mixture of items measuring behaviour and generic items that relate to outcome suggests that only the items that actually relate to an outcome should be kept in the analysis. In this context, items RQT6<sup>6</sup> and RQT7RC<sup>7</sup> were considered potentially problematic in terms of face validity and removed from the analysis. This procedure is in line with previous research, namely on modelling RQ (e.g. Boles et al. 2000; Ivens 2004). Indeed, as mentioned earlier, it has been suggested the literature contains a significant degree of overlap between constructs (e.g. Naudé and Buttle 2000) and measures (Ivens 2004) associated with RQ. For example, Boles et al. (2000) found that some items used by Crosby et al. (1990) in a life insurance context are not relevant in a B2B setting.

The results of the EFA conducted for the 10 indicators considered for RQ suggested a two-factor structure (see Table 6.9). The values observed for the Bartlett's test of sphericity ( $P=0.0000$ ) and the value of the Kaiser-Meyer-Olkin measure of sampling adequacy ( $KMO=.902$ ) are robust and significant, suggesting that factor analysis is adequate for this data. An examination of both the eigenvalues and the scree plot supported the decision of retaining these two factors, accounting for a total variance explained of about 66.4%. The low values of communalities for items RQT5RC and RQT8RC (items pertaining to the trust dimension of RQ) may anticipate the need for elimination. The majority of items loaded highly and significantly onto the respective factor, except for the mentioned items with low communalities. An inspection of the responses appear to indicate that, apparently and in the respondents' perspective, questions

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<sup>6</sup> RQT6: Our client manager puts our interests before his/her own.

<sup>7</sup> RQT7RC: Our client manager is capable of bending the facts to create the impression he/she wants.

RQT5RC<sup>8</sup> and RQT8RC<sup>9</sup> seemed to be out of the context of section C of the questionnaire. Particularly in relation to the latter, it looked as though respondents were reticent to classify the client manager as dishonest, regardless of the quality of the relationship.

Factor 1 was named *trust* (RQT), accounting for the respondent's trust in the client manager, and factor 2 *satisfaction* (RQS), reflecting the respondent's satisfaction with the client manager's performance, in line with Crosby et al. (1990) and consistent with the process of model development presented earlier in this dissertation. The results obtained for communalities and factor loadings, the examination of the inter-items correlations, together with the Cronbach's alpha reliability tests, informed the decision of excluding items RQT5RC and RQT8RC.

Table 6.9: Principal Components Analysis for Relationship Quality (RQ).

	<b>F1<sup>1</sup></b>	<b>F2<sup>1</sup></b>
	Trust (RQT)	Satisfaction (RQS)
RQT1 Our client manager can be relied upon to keep his/her promises <sup>a</sup>	.827	
RQT2RC There are times when we find our client manager to be a bit insincere <sup>a</sup>	.841	
RQT3RC We find it necessary to be cautious in dealing with our client manager <sup>a</sup>	.889	
RQT4 Our client manager is trustworthy <sup>a</sup>	.897	
RQT5RC Our client manager is trying to sell us a lot of services and we are trying to avoid it <sup>a</sup>	.434	
RQT8RC Our client manager is dishonest <sup>a</sup>	.523	
RQT9RC We suspect that our client manager has sometimes withheld certain pieces of information that might have affected my decision-making <sup>a</sup>	.885	
RQS1 We are satisfied with the performance of our client manager <sup>a</sup>		.913
RQS2 We are pleased with the performance of our client manager <sup>a</sup>		.890
RQS3 We have a favourable opinion on our client manager's performance <sup>a</sup>		.857
1-All values significant at $p < .05$ ; Values $< .4$ have been suppressed.		
a-Adapted from Crosby et al., 1990 ( $\alpha = .89$ for RQT, $\alpha = .99$ for RQS).		
RC: reverse coded.		
<b>Explained Variance</b>	51.5%	14.9%
<b>Cronbach's Alpha</b>	.905	.849

#### 6.5.1.1 Dimensionality Tests for Relationship Quality

A CFA using SEM was conducted on the items relating to RQ (a second-order CFA was not performed in this case as well, for reasons analogous to those presented for relational net benefits – see section 6.4.2.1). The overall model fit statistics in LISREL suggested a good fit (see Table 6.10). In addition, the matrix of standardized residuals revealed only one absolute value above 2.58. Also, only

<sup>8</sup> RQT5RC: Our client manager is trying to sell us a lot of services and we are trying to avoid it.

<sup>9</sup> RQT8RC: Our client manager is dishonest.



one modification index above 5.0 was observed, which suggests sufficient support to unidimensionality for each of the dimensions of RQ (RQT and RQS). In addition, items loaded strongly and significantly on unique factors, providing further evidence for unidimensionality. Table 6.10 shows the final CFA results. Because unidimensionality is a necessary, but not sufficient, condition for construct validity (Anderson and Gerbing 1988), the next sections discuss the issues of convergent and discriminant validity, as well as reliability.

Table 6.10: Confirmatory Factor Analysis for Relationship Quality (RQ).

<b>ITEMS AND STANDARDIZED FACTOR COEFFICIENTS*</b>	<b>RQT</b>	<b>RQS</b>
RQT1 Our client manager can be relied upon to keep his/her promises	.89	
RQT2RC There are times when we find our client manager to be a bit insincere	.84	
RQT3RC We find it necessary to be cautious in dealing with our client manager	.85	
RQT4 Our client manager is trustworthy	.90	
RQT9RC We suspect that our client manager has sometimes withheld certain pieces of information that might have affected my decision-making	.88	
RQS1 We are satisfied with the performance of our client manager		.84
RQS2 We are pleased with the performance of our client manager		.79
RQS3 We have a favourable opinion on our client manager's performance		.80
*All values were significant at $p < .05$ RQS: Satisfaction: RQT: Trust. RC: reverse coded.		
<b>AVERAGE VARIANCE EXTRACTED</b>	.708	.657
<b>COMPOSITE RELIABILITY</b>	.924	.851
<b>GOODNESS OF FIT STATISTICS</b>		
$\chi^2 = 38.03$ , ( $p = 0.0059$ ), $df = 19$ , ( $\chi^2/df = 2.00$ ), RMSEA = .046, GFI = .98, AGFI = .96, NNFI = .99, CFI = 1		
<b>CORRELATION BETWEEN FACTORS .54</b>		
<b><math>\chi^2</math> DIFFERENCE FOR 'NON-DISCRIMINANT'</b> ( $\Delta df=1$ , $p=.000$ )	468.43	

#### 6.5.1.2 Convergent Validity Tests for Relationship Quality

Results provide evidence of convergent validity, given that each item loaded strongly and significantly onto the respective latent variable. Support for convergent validity is reinforced by the good overall fit of the model and also because all loadings are larger than .50 and all parameter estimates are higher than .70 (Garver and Mentzer 1999; Hildebrandt 1987; Steenkamp and van Trijp 1991).

#### 6.5.1.3 Reliability Tests for Relationship Quality

Again, reliability was examined after assessing dimensionality and convergent validity. As can be observed in Table 6.10, Cronbach's alphas are above Nunnally's (1978) .70 threshold, suggesting adequate reliability. Complementarily, composite reliability was used to assess the constructs' reliability. As can be read from Table 6.10, composite reliability for each of the

components exceed Bagozzi and Yi's (1988) .60 cut-off, thus providing further support for the constructs' good reliability.

#### 6.5.1.4 Discriminant Validity Tests for Relationship Quality

The results also suggest evidence for discriminant validity. The correlation between the factors did not exceed .70, providing measure distinctness (Ping 2004). In addition, when a CFA model is estimated with the correlations between the factors constrained to 1.0, the Chi-Square difference is significant (see Table 6.10). Finally, the constructs meet Fornell and Larcker's (1981) criterion of discriminant validity: average variance extracted is above .50 regarding both constructs.

### 6.5.2 Mutual Goals

To begin the analysis relating to the construct of mutual goals, and following the usual procedure, an EFA was performed. The results in Table 6.11 suggest a one-factor structure. The values of the Bartlett's test of sphericity ( $p=0.0000$ ) and the KMO (.889) are high and significant, and all items loaded highly and significantly onto the factor, except for item MG2. The total variance explained is 59.6%. Based on the values of communalities and factor loadings, together with an examination of the inter-items correlations, item MG2 was excluded from subsequent analysis. In fact, a close examination of the questionnaires' responses suggested that, although this issue was not filtered during the pre-test phase, this item was somewhat strange to the context of the rest of the items composing the mutual goals construct, from the point of view of the majority of the respondents. The results of reliability tests (using the Cronbach's alpha reliability coefficient), corroborated the decision of removal (Cronbach's  $\alpha$  improved from .844 to .889).

Table 6.11: Principal Components Analysis for Mutual Goals (MG).

	<b>F1<sup>1</sup></b>
	Mutual Goals (MG)
MG1 We share a joint vision with our client manager of what is necessary for mutual success <sup>a</sup>	.842
MG2 We have a set of formal criteria which we use to evaluate a prospective partner <sup>a</sup>	
MG3 We know with certainty what our client manager expects of us <sup>a</sup>	.849
MG4 We work proactively with our client manager to establish annual goals <sup>a</sup>	.792
MG5 We can state with certainty that our client manager has the same basic beliefs about running a business than we do <sup>a</sup>	.836
MG6 Overall, our goals are compatible with the goals of our client manager <sup>a</sup>	.836
1-All values significant at $p<.05$ ; Values $<.4$ have been suppressed.	
a-Adapted from McQuiston, 2001.	
<b>Explained Variance</b>	59.6%
<b>Cronbach's Alpha</b>	.889

Again, after executing the EFA on the items measuring mutual goals, a CFA was conducted as a complement for assessing the psychometric properties of the construct. Table 6.12 presents the results for the CFA conducted on the items relating to mutual goals.

Table 6.12: Confirmatory Factor Analysis for Mutual Goals (MG).

<b>STANDARDIZED FACTOR COEFFICIENTS*</b>	<b>MG</b>
MG1 We share a joint vision with our client manager of what is necessary for mutual success <sup>a</sup>	.81
MG3 We know with certainty what our client manager expects of us <sup>a</sup>	.81
MG4 We work proactively with our client manager to establish annual goals <sup>a</sup>	.73
MG5 We can state with certainty that our client manager has the same basic beliefs about running a business than we do <sup>a</sup>	.80
MG6 Overall, our goals are compatible with the goals of our client manager <sup>a</sup>	.79
*All Values were significant at $p < .05$	
MG: Mutual Goals.	
<b>AVERAGE VARIANCE EXTRACTED</b>	.621
<b>COMPOSITE RELIABILITY</b>	.891
<b>GOODNESS OF FIT STATISTICS</b>	
$\chi^2 = 11.60$ , ( $p = 0.0406$ ), $df = 5$ , ( $\chi^2/df$ ) = 2.32,	
RMSEA = .053, GFI = .99, AGFI = .97, NNFI = .99, CFI = 1	

#### 6.5.2.1 Dimensionality Tests for Mutual Goals

The high and significant loadings suggested a first good sign in favour of unidimensionality. Moreover, the overall model fit statistics in LISREL are quite respectable, considering the generally established thresholds. Though the RMSEA is in the area of only reasonable fit - still very close to .05, thus, near the threshold for good fit (Diamantopoulos and Siguaw 2000; MacCallum et al. 1996) – and the ratio chi-square/degrees of freedom is slightly higher than desirable, the null hypothesis concerning the Chi-Square test is rejected at  $p=0.0406$ , while the GFI, AGFI, NNFI, and CFI indices, give indication of good fit. Furthermore, the matrix of standardized residuals contains only two absolute values above 2.58 and only two modification indices as well, thus suggesting the absence of major threats to unidimensionality. Taken together, these goodness-of-fit indicators suggest support for unidimensionality of mutual goals.

#### 6.5.2.2 Convergent Validity Tests for Mutual Goals

As mentioned above, each of the five retained items loaded strongly on the latent variable it is purported to measure with a coefficient greater than twice its standard error, suggesting support for convergent validity. The evidence of convergent validity is further reinforced by the overall fit of the model, together with the robust loadings (all higher than .50) and parameter estimates (all higher than .70).

#### 6.5.2.3 Reliability Tests for Mutual Goals

As presented in Table 6.12, Cronbach's alpha is above .70 (Nunnally 1978), suggesting adequate reliability. In addition, as can be read from Table 6.12, composite reliability is clearly above Bagozzi and Yi's (1988) .60 cut-off, providing confirmation of the constructs' good reliability.

#### 6.5.2.4 Discriminant Validity Tests for Mutual Goals

Results also suggest support for the construct's discriminant validity, considering that the construct shows an average variance extracted above .50, complying with the Fornell and Larcker's (1981) criterion of discriminant validity. In addition, as can be observed from Table 6.15, the verification of discriminant validity re mutual goals is in line with the evidence of discriminant validity among all latent variables.

### 6.5.3 Commitment

The EFA carried out on the items measuring commitment suggested a one-factor structure (see Table 6.13). The values of the Bartlett's test of sphericity ( $p=0.000$ ) and the KMO are robust ( $KMO=.950$ ). The majority of the items loaded highly and significantly onto the factor, except for the low values of items COMMIT8 and COMMIT10. The total variance explained is around 58.3%. The results obtained for items COMMIT8 and COMMIT10, regarding communalities, factor loadings, and an examination of the inter-items correlations, informed the decision of eliminating these items. In addition to this, the results of reliability tests (using the Cronbach's alpha reliability coefficient), determined the subsequent removal of item COMMIT9 (deletion of this item yielded an improvement in the Cronbach's  $\alpha$  from .935 to .941).

It should be noted that, as mentioned in an earlier phase of this dissertation, the measurement of the commitment construct was adopted from a three-dimensional concept suggested by Bansal et al. (2004). The dimensions are: normative, measured by items COMMIT1 to COMMIT4; affective, comprising items COMMIT5RC to COMMIT7RC; and continuance, including items COMMIT8 to COMMIT10. This is consistent with recent conceptualisations (Bansal et al. 2004; Meyer and Allen 1997; Meyer and Herscovitch 2001), in which, however, it is also recognised, not only that there is some controversy about the role of continuance commitment (see, for example, Bansal et al. 2004), but also that the research setting might play an important role. In the context of the present work, commitment has been found to constitute a unidimensional concept, in

line with the majority of the marketing studies (e.g., Garbarino and Johnson 1999; Hennig-Thurau et al. 2002; Morgan and Hunt 1994; Pritchard et al. 1999; Sharma and Patterson 2000; White and Schneider 2000). More precisely, the results of the present analysis led to the fusion of the affective and normative dimensions initially proposed by Meyer and Allen (1997) into a single dimension, whereas the continuance component is discarded. It is also noteworthy that the former can be said to relate to actor bonds, while the latter can be viewed as representing structural bonds (see, for example, Bansal et al. 2004). These results also draw our attention to the central role that actor bonds might possibly play in the context of the present study, which would be consistent with the previously proposed idea that business-to-business relationships, despite being institutional, contain a strong element of personal relationships, conveyed by the interactions established within the dyad constituted by the individuals representing both partners.

Table 6.13: Principal Components Analysis for Commitment (COMMIT).

	<b>F1<sup>1</sup></b>
	Commitment (COMMIT)
COMMIT1 Even if it were to our advantage, we do not feel it would be right to leave our client manager now <sup>a</sup>	.797
COMMIT2 This client manager deserves our loyalty <sup>a</sup>	.863
COMMIT3 We would feel guilty if we left our client manager now <sup>a</sup>	.886
COMMIT4 We would not leave this client manager right now because we have a sense of obligation to him <sup>a</sup>	.893
COMMIT5RC We do not feel 'emotionally attached' to our client manager <sup>a</sup>	.830
COMMIT6RC We do not feel like 'part of the family' with our client manager <sup>a</sup>	.833
COMMIT7RC We do not feel a strong sense of 'belonging' to our client manager <sup>a</sup>	.865
COMMIT8 It would be very hard to end this relationship right now, even if we wanted to <sup>a</sup>	
COMMIT9 Too much of our business would be disrupted if we decided we wanted to end this relationship now <sup>a</sup>	.674
COMMIT10 We feel that we have too few options to consider ending this relationship <sup>a</sup>	.420
1-All values significant at $p < .05$ ; Values $< .4$ have been suppressed.	
a-Adapted from Bansal et al., 2004 ( $.77 < \alpha < .85$ ).	
RC: reverse coded.	
<b>Explained Variance</b>	58.3%
<b>Cronbach's Alpha</b>	.941

Table 6.14 presents the results for the CFA conducted on the items relating to commitment, as a complementary procedure for assessing the construct's psychometric properties.

Table 6.14: Confirmatory Factor Analysis for Commitment (COMMIT).

<b>STANDARDIZED FACTOR COEFFICIENTS*</b>		COMMIT
COMMIT1 Even if it were to our advantage, we do not feel it would be right to leave our client manager now		.76
COMMIT2 This client manager deserves our loyalty		.85
COMMIT3 We would feel guilty if we left our client manager now		.87
COMMIT4 We would not leave this client manager right now because we have a sense of obligation to him		.89
COMMIT5RC We do not feel 'emotionally attached' to our client manager		.82
COMMIT6RC We do not feel like 'part of the family' with our client manager		.80
COMMIT7RC We do not feel a strong sense of 'belonging' to our client manager		.86
*All values were significant at $p < .05$		
COMMIT: Commitment.		
RC: reverse coded.		
<b>AVERAGE VARIANCE EXTRACTED</b>		.744
<b>COMPOSITE RELIABILITY</b>		.953
<b>GOODNESS OF FIT STATISTICS</b>		
$\chi^2 = 28.36$ , ( $p = 0.0127$ ), $df = 14$ , ( $\chi^2/df = 2.02$ ,		
RMSEA = .047, GFI = .98, AGFI = .97, NNFI = 1.00, CFI = 1.00		

#### 6.5.3.1 Dimensionality Tests for Commitment

The results of the CFA conducted on the items pertaining to commitment revealed no major threats to unidimensionality, given that the matrix of the standardized residuals contains only one absolute value above 2.58, and also only one modification index above 5.0. Using a rationale analogous to that used in the previous sections, we conclude for sufficient support for unidimensionality, an evidence which is strengthened by the good fit indicated by the overall goodness-of-fit statistics.

#### 6.5.3.2 Convergent Validity Tests for Commitment

Each item loaded significantly onto the latent variable, suggesting evidence of convergent validity. This evidence is reinforced by the good overall fit of the model and the robust loadings (all larger than .50) and parameter estimates (all higher than .70).

#### 6.5.3.3 Reliability Tests for Commitment

As can be seen from Table 6.14, Cronbach's alpha is largely above Nunnally's (1978) .70 threshold, suggesting good reliability. In addition, as shown in Table 6.14, composite reliability clearly exceeds Bagozzi and Yi's (1988) .60 cut-off, thus providing further support for the constructs' reliability.

#### 6.5.3.4 Discriminant Validity Tests for Commitment

Average variance extracted is above .50, thus providing support for discriminant validity, according to Fornell and Larcker's (1981) criterion.

Analogous to the exogenous variables, and in order to reinforce the evidence of discriminant validity across all latent variables, another series of complementary CFA models were conducted, this time within the measurement model for endogenous variables. Again, the statistic of interest is the  $\chi^2$  difference between the two models, that is, standard model vs. 'non-discriminant' model, for each pair. The results provided in Table 6.15 show that all the  $\chi^2$  differences are significant at the  $p=.0000$  level, thus providing further evidence of construct validity for all the constructs pertaining to the measurement model for endogenous variables.

Table 6.15:  $\chi^2$  Differences, Standard Model vs. 'Non-Discriminant' – Endogenous Variables.

PAIR	$\chi^2$ DIFFERENCE *
RQT (Trust) ↔ MG (Mutual Goals)	1318.68
RQT (Trust) ↔ COMMIT (Commitment)	4048.49
RQS (Satisfaction) ↔ MG (Mutual Goals)	545.59
RQS (Satisfaction) ↔ COMMIT (Commitment)	553.57
MG (Mutual Goals) ↔ COMMIT (Commitment)	1431.36
*( $\Delta df=1$ , $p=.0000$ )	

Still in the context of testing for discriminant validity, a battery of additional tests including all combinations between exogenous and endogenous constructs was conducted. In line with the previous tests, Table 6.16 presents the results of the  $\chi^2$  difference between the two models, that is, standard model vs. 'non-discriminant' model, for each pair. Again, all  $\chi^2$  differences are significant at the  $p=.0000$  level, thus supporting discriminant validity among all the constructs of the proposed model.

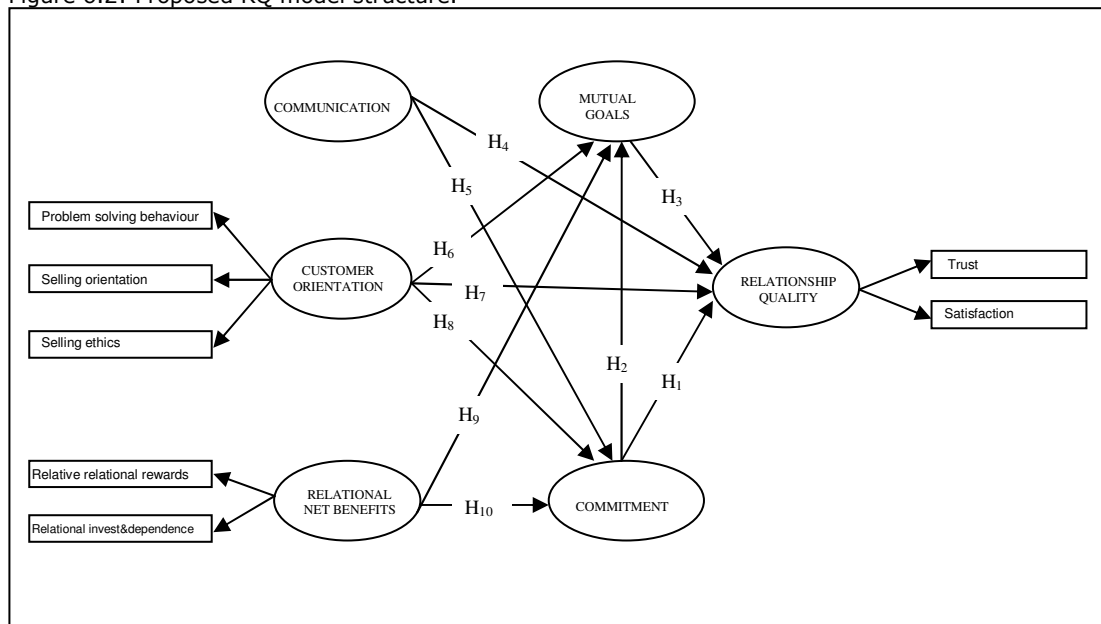
Table 6.16:  $\chi^2$  Differences, Standard Model vs. 'Non-Discriminant' – All Constructs.

PAIR	$\chi^2$ DIFFERENCE *
PSB (Personal Selling Behaviour) ↔ MG (Mutual Goals)	1651.48
PSB (Personal Selling Behaviour) ↔ RQT (Trust)	2582.69
PSB (Personal Selling Behaviour) ↔ RQS (Satisfaction)	563.62
PSB (Personal Selling Behaviour) ↔ COMMIT (Commitment)	4657.41
SO (Selling Orientation) ↔ MG (Mutual Goals)	1751.78
SO (Selling Orientation) ↔ RQT (Trust)	2066.33
SO (Selling Orientation) ↔ RQS (Satisfaction)	571.61
SO (Selling Orientation) ↔ COMMIT (Commitment)	2076.60
SE (Selling Ethics) ↔ MG (Mutual Goals)	1654.92
SE (Selling Ethics) ↔ RQT (Trust)	1580.02
SE (Selling Ethics) ↔ RQS (Satisfaction)	580.04
SE (Selling Ethics) ↔ COMMIT (Commitment)	1693.80
RRR (Relative Relational Rewards) ↔ MG (Mutual Goals)	1687.04
RRR (Relative Relational Rewards) ↔ RQT (Trust)	3433.80
RRR (Relative Relational Rewards) ↔ RQS (Satisfaction)	588.98
RRR (Relative Relational Rewards) ↔ COMMIT (Commitment)	2309.53
RID (Relational Investment and Dependence) ↔ MG (Mutual Goals)	1699.25
RID (Relational Investment and Dependence) ↔ RQT (Trust)	2112.54
RID (Relational Investment and Dependence) ↔ RQS (Satisfaction)	579.56
RID (Relational Investment and Dependence) ↔ COMMIT (Commitment)	2055.07
*( $\Delta df=1$ , $p=.0000$ )	

## 6.6 Conclusion

This chapter described the process of assessing the measurement component of the proposed model. Through a combination of exploratory and confirmatory factor analyses, the measurement items of each construct were submitted to tests evaluating dimensionality, convergent validity, reliability, and discriminant validity (in this order). As a rule, results of the mentioned tests were deemed satisfactory, even considering that a (relatively small) number of items were eliminated (14 items out of 75). This process revealed two higher-order structures, customer orientation and relational net benefits, in addition to RQ, which had already been included as a higher-order construct in the model development phase and was confirmed within the measurement model assessment. The analysis of the measurement model presented in this chapter resulted in the model structure depicted in Figure 6.2, which is consistent with the partial aggregation approach adopted in the present analysis.

Figure 6.2: Proposed RQ model structure.



After assessing the measurement model, and continuing to follow Anderson and Gerbing's (1988) two-step approach for structural equation modelling, the next chapter estimates the structural model, constituting, at the same time, an assessment of nomological validity (Steenkamp and van Trijp 1991).



## CHAPTER 7 - DATA ANALYSIS II: ASSESSMENT OF STRUCTURAL MODEL

### 7.1 Introduction

The previous chapter described the assessment of the measurement model and presented an analysis of each construct with respect to unidimensionality, reliability and validity (both convergent and discriminant). Building on the results of the foregoing analysis, and continuing to follow Anderson and Gerbing's (1988) two-step approach for structural equations modelling (SEM), the structural model, that is, the proposed set of associations among the latent variables, will be tested in this chapter, constituting, at the same time, an assessment of nomological validity (Steenkamp and van Trijp 1991). The chapter begins with a first evaluation of the proposed model, which is then submitted to statistical control, in order to strengthen the testing of the proposed model (both of these procedures are based on the calibration sample). After testing the proposed model and submitting it to statistical control, the last part of the chapter is concerned with the cross-validation of the model on the validation sample, from a competing model(s) comparison perspective (Diamantopoulos and Siguaw 2000; Hair et al. 1998).

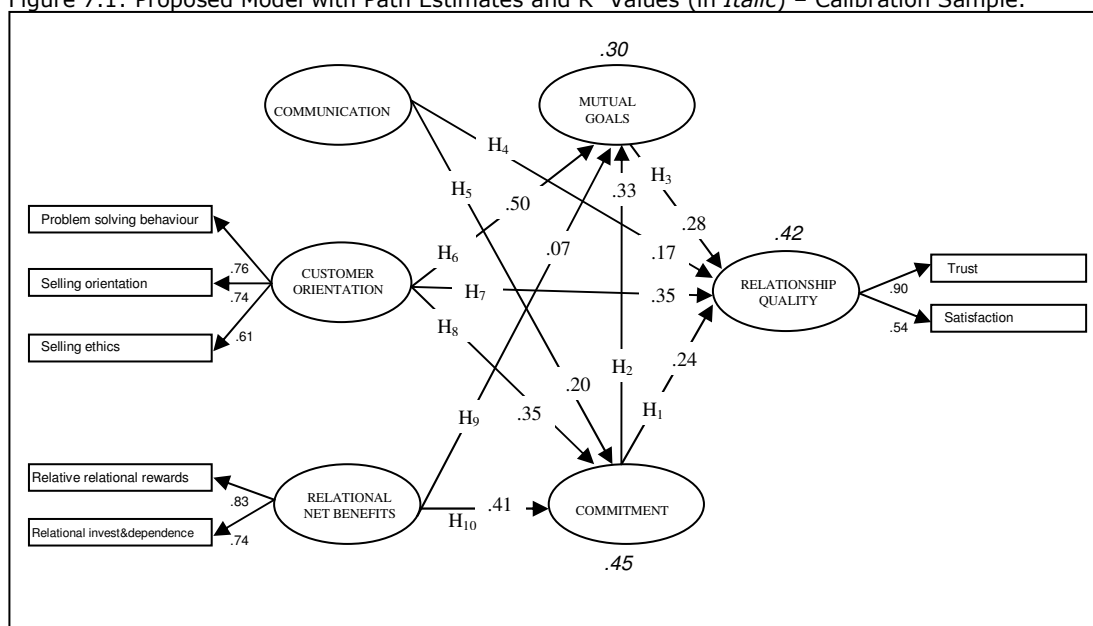
### 7.2 Assessment of Structural Model

In examining the structural model, the attention is on the proposed hypotheses that reflect the relationships between the latent variables. The purpose is assessing whether the data supports the proposed conceptualisation. The issues of interest are: i) whether the directions of the relationships between the constructs are as hypothesised, which can be examined looking at the signs of the respective parameters; ii) the strength of the hypothesized links, reflected by the estimated parameters, which should be at least significant, i.e., their respective t-values should be greater than  $|1.96|$ ; and, iii) the amount of variance in the endogenous variables explained by the respective proposed determinants, which can be evaluated looking at the squared multiple correlations ( $R^2$ ) for the structural equations (Diamantopoulos and Siguaw 2000).

To begin with, in terms of overall fit, the model's goodness of fit indices are within thresholds indicating good fit:  $\chi^2 = 40.16$  ( $p=.028$ ),  $df=25$ ,  $\chi^2/df=1.61$ ,  $RMSEA=.036$ ,  $GFI=.98$ ,  $AGFI=.96$ ,  $NNFI=.99$ ,  $CFI=.99$ . These results suggest

that, at least as far as the calibration sample is concerned, the model fits well and corresponds to a close representation of the population of interest. Turning now to the signs of the parameters representing the hypotheses incorporated in the model, the results of the test of the structural model on the calibration sample indicate that all signs of the associations between constructs in the model under analysis were in accordance with hypothesised relationships (see figure 7.1).

Figure 7.1: Proposed Model with Path Estimates and R<sup>2</sup> Values (in *Italic*) – Calibration Sample.



Indeed, as hypothesised, results indicate that commitment acts as an important determinant of both RQ and mutual goals. The significant positive associations between commitment and both RQ and mutual goals bring support to H<sub>1</sub> and H<sub>2</sub>. Also as hypothesised, the existence of goal congruence contributes significantly to the creation of RQ. Results show that the construct of mutual goals is also a significant determinant of RQ. H<sub>3</sub> is, therefore, supported. Results also suggest that, as hypothesised, communication acts as an antecedent of both RQ and commitment, thereby confirming H<sub>4</sub> and H<sub>5</sub>. As reflected by the strong positive associations between customer orientation and, not only mutual goals, but also RQ and commitment, customer orientation acts as an important driver of all three endogenous variables in the model. H<sub>6</sub>, H<sub>7</sub> and H<sub>8</sub> are, therefore, established. Although, as hypothesised, there is a positive association between relational benefits and mutual goals, this linkage is not statistically significant. H<sub>9</sub> is, thus, not supported. Finally, H<sub>10</sub> is supported, given the significant positive association between relational net benefits and commitment, corroborating what was hypothesised in Chapter 4.

In effect, as can be read from Table 7.1, all but one of the parameter estimates – the one correspondent to the link between relational net benefits and mutual goals ( $H_9$ ) – were statistically significant at  $p < .05$  or better. In terms of the strength of significant path estimates, and by order of relative importance, customer orientation stands out as the strongest determinant of relationship quality (RQ), with both direct and indirect relatively strong effects. Also with both direct and indirect impacts on RQ, commitment confirms its role as a building block of RQ, although the paths estimates are not as strong as those for customer orientation. The importance of commitment in the model is also reflected by its significant role as a mediator of the (indirect) effects of communication, customer orientation and relational net benefits on RQ. Indeed, despite the above mentioned non significant link, relational net benefits still exert an important indirect effect on RQ, through commitment. In addition, results suggested that mutual goals also play a relevant role, not only as a direct determinant of RQ, but also as a mediator of part of the impacts exerted by both customer orientation and commitment. Although the majority of the significant associations are reasonable, one of them gives reasons for caution: the direct link between communication and RQ, which is below .20, the threshold for a path to be considered practically meaningful (Echambadi et al. 2006), though it should be noted that the global impact on RQ is within acceptable thresholds.

Even though, as stated, the focus of the present chapter is on the paths representing the hypotheses to be tested, the figures illustrating the various models also include the estimates of the links to the first-order constructs/dimensions (the cases of customer orientation, relational benefits, and RQ). It was felt that this could be useful, not only to assess the relative importance of each dimension of the multidimensional latent constructs, but also thinking ahead to the alternative models analysis. For example, the information included in Figure 7.1 suggests that trust is the dominant dimension of RQ and selling ethics is the weakest reflective indicator of customer orientation, while the two dimensions of relational net benefits seem to be relatively balanced. In this respect, more detail will be provided as the analysis develops, especially during the comparison of the model proposed in this study to alternative models, as described later in this chapter (section 7.3.2). Finally, the square multiple correlations for the structural equations ranged from .30 to .45, indicating an acceptable amount of variance in the endogenous variables explained by the respective proposed determinants.

Table 7.1: Results for Structural Model Assessment – Calibration Sample, Proposed Model.

Parameter	Path	Estimate	SE	t-value	R <sup>2</sup>	Hyp	Result
COMMITMENT→R. QUALITY	$\beta_{13}$	.24	.052	4.59		H <sub>1</sub>	Supported
M. GOALS→R. QUALITY	$\beta_{12}$	.28	.053	5.39		H <sub>3</sub>	Supported
COMMUNICATION→R. QUALITY	$\gamma_{11}$	.17	.044	3.93		H <sub>4</sub>	Supported
C. ORIENTATION→R. QUALITY	$\gamma_{12}$	.35	.010	3.48		H <sub>7</sub>	Supported
					.42		
COMMITMENT→M. GOALS	$\beta_{23}$	.33	.060	5.50		H <sub>2</sub>	Supported
C. ORIENTATION→M. GOALS	$\gamma_{22}$	.50	.099	5.04		H <sub>6</sub>	Supported
R. NET BENEFITS→M. GOALS	$\gamma_{23}$	.07	.063	1.09		H <sub>9</sub>	Not Supp.
					.30		
COMMUNICATION→COMMITMENT	$\gamma_{31}$	.20	.044	4.68		H <sub>5</sub>	Supported
C. ORIENTATION→COMMITMENT	$\gamma_{32}$	.35	.095	3.71		H <sub>8</sub>	Supported
R. NET BENEFITS→COMMITMENT	$\gamma_{33}$	.41	.058	7.16		H <sub>10</sub>	Supported
					.45		

Table 7.2 presents the aggregate of both direct and indirect effects exerted by both exogenous and endogenous latent variables.

Table 7.2: Decomposition of Structural Effects – Calibration Sample.

Effect on R. QUALITY	Direct	Indirect	Total
COMMITMENT	.240	.092	.332
MUTUAL GOALS	.280		.280
COMMUNICATION	.170	.070	.240
CUSTOMER ORIENTATION	.350	.260	.610
RELATIONAL NET BENEFITS		.160	.160
<b>Effect on MUTUAL GOALS</b>			
COMMITMENT	.330		.330
COMMUNICATION		.067	.067
CUSTOMER ORIENTATION	.500	.120	.620
RELATIONAL NET BENEFITS	.069	.131	.200
<b>Effect on COMMITMENT</b>			
COMMUNICATION	.200		.200
CUSTOMER ORIENTATION	.350		.350
RELATIONAL NET BENEFITS	.410		.410

The results presented above correspond to a scenario where the variables customer orientation, communication, and commitment exert both direct and indirect effects on RQ, mutual goals exerts direct effects only, and relational net benefits indirect effects only. In principle, these results constitute sufficient evidence that the proposed conceptual framework is supported by the data, and provides support for the nomological validity of the constructs that comprise the model. These suppositions are also to be put to test later in this chapter, within the process of cross-validation. Before that, the next section is concerned with statistical control, an analysis on the effects of control variables, which is considered as an important requirement for the generalisability of the model (Becker 2005).

### 7.2.1 Statistical Control

The model proposed in the last section comprises the proposed main effects concerning RQ. However, it is necessary to consider the possibility that other potential effects may exist. By helping to find out whether there are additional effects, the process of statistical control also contributes to a richer characterisation of the data and knowledge about the phenomena under investigation. The following comments refer to variables in relation to which the

qualitative study did not reveal patterns as consistent as the ones relating to concepts considered main effects. Although, because of that lack of empirical evidence, they were not included as main effects, some literature suggests that their inclusion in the analysis might potentially alter the influence of main effects and, therefore, they should be considered in the model development process as control variables. These variables are: length of relationship with the hotel, length of relationship with the client manager, contact intensity, client share, size of corporate client, and existence of a signed contract (see Table 7.3 for a list of control variables and respective abbreviations and items in the questionnaire). Control variables are components that are included in the analysis to find out whether there are additional explanations for the phenomena under investigation, other than the ones represented by the substantive factors, that is, the variables reflecting the main effects (Becker 2005; Spector et al. 2000). Controlling for such variables adds to the strength of the test of the proposed model (Donney and Cannon 1997). It was felt that the importance of the variables included in Table 7.3 needs to be assessed, not only due to the mentioned reference in the literature as potentially playing a role in the matter under analysis, but also taking into account the researcher's experience as a client manager in a people-based business-to-business services context.

Table 7.3: Control variables and their Corresponding Items in the Questionnaire.

Control Variable	Abbreviation	Item in Section E of the Questionnaire
Length of relationship with hotel (chain)	HrelLeng	When did the relationship with this hotel (chain) start?
Length of relationship with client manager	CMrelLen	When did the relationship with this client manager start?
Contact intensity	ContFreq	How frequent are your face-to-face meetings with your client manager?
Client share	CliShare	Out of all the hotel services your company uses, what is the percentage representing this hotel (chain)?
Size of corporate client	Nempl	Number of employees?
Existence of a signed contract	Contract	Do you have a signed contract with this hotel (chain)?

Decisions on which control variables to include must be made bearing in mind that the improper inclusion of controls can lead to misleading results, for they may influence the significance levels and estimated effect sizes of the other variables (Becker 2005). In fact, using a variable as a control when, in reality, it should be considered a substantive factor, may lead to treating relevant variance as error variance, which, in turn, may produce incorrect inferences (Becker 2005). Spector et al. (2000) also warn against the lack of rigour in selecting variables to be statistically controlled, which may cause Type II error problems, due to the risk of partialling out true variance from the relationships under investigation.

Control variables are also known as biasing factors (and occasionally simply referred to as controls), i.e. variables that distort the assessment of a given construct (Becker 2005; Spector et al. 2000). Sometimes these biases are associated with the tendency of respondents to answer to items in a certain way, regardless of the construct intended to be measured. In the context of the present study, it was believed that this might be the case of the variables included in Table 7.3. Indeed, as mentioned in the literature review (Chapter 3), one of the factors that is more frequently included in models proposed and tested in the relationship marketing area is relationship length (Bejou et al. 1998; Donney and Cannon 1997; Fisher et al. 1997), sometimes also referred to as age of relationship (Anderson and Weitz 1989; Kumar et al. 1995), or relationship duration (Bejou et al. 1996; Lagace et al. 1991; Palmatier et al. 2006; Smith 1998; Wray et al. 1994), or longevity (Storbacka et al. 1994). Relationship length can be defined as the amount of time that the interaction between parties has existed. It has been associated with commitment (Palmatier et al. 2006), as well as with RQ, given the links between relationship length and trust and satisfaction – the dimensions of RQ – proposed in the literature (Anderson and Weitz 1989; Donney and Cannon 1997; Dorsch et al. 1998; Smith 1998; Swan et al. 1985). Relationship length has also been used in various ways in different propositions in the literature, e.g., as an independent variable, mediator, dimension of a latent variable, etc (see also Section 3.3). This is probably due to the multiple research settings, times, and samples that characterise the different studies, which in part explains the fact that ‘one researcher’s control variable is another’s independent or dependent variable – or mediator or moderator’ (Becker 2005, p. 275).

Another aspect that must be taken into account is the differentiation between individual vs. organisational relationships, or, in other words, that customers may establish relationships with both the organization and/or a key individual representing the organisation (Berry 1995; Cann 1998; Czepiel 1990; Dwyer et al. 1987; Ford et al. 1998; Holmlund 2001; Holmlund and Strandvik 1999; Palmatier et al. 2006; Sheth 1994; Solomon et al. 1985; Walter et al. 2003; Wilson 1995; Wong and Sohal 2002). Therefore, a distinction must be made between the length of the relationship with the seller organisation vs. the length of the relationship with the organisations’ representative.

Another factor that is often included in analysis is contact intensity, defined as the frequency of contacts with the customer, face-to-face or indirectly (Crosby et

al. 1990), sometimes also referred to as interaction frequency (Bendapudi and Berry 1997; Fisher et al. 1997; Palmatier et al. 2006), and frequency of contact (Donney and Cannon 1997; Lagace et al. 1991). It has been argued that contact intensity is associated, not only with RQ itself, but also with one of its dimensions, trust (Bendapudi and Berry 1997; Crosby et al. 1990; Donney and Cannon 1997; Leuthesser 1997; Palmatier et al. 2006). Associations have also been suggested between satisfaction, another dimension of RQ, and frequency of contact, particularly face-to-face interaction, as illustrated by the fact that visits by the client manager tend to increase satisfaction and the use of the hotel services on the part of the client (Vieira and Ennew 2004). This is also consistent with the idea that face-to-face interactivity works as a driver of customer satisfaction (e.g. Ennew 2003).

The next potential control variable is client share. Client share, or share of business (Leuthesser 1997), is defined as the percentage of business that a given supplier in a particular industry (e.g. a hotel chain) possesses, out of the total expenditure of a particular buyer (e.g. a hotel corporate client) in that industry. As already mentioned in the present dissertation, Peppers and Rogers (1995) referred to this concept as share of customer and stressed its difference from the concept of market share. Given that sales effectiveness in general (Crosby et al. 1990), and share of business in particular (Leuthesser 1997), have been previously associated with RQ, client share seems to be likely to constitute a biasing factor as well.

Regarding size of corporate client, although there is no explicit and specific empirical indication in literature about its association to RQ and its dimensions and determinants, size of the company has been previously associated as a factor of influence in the development of a successful relationship strategy (Perrien and Ricard 1995). Since the size/dimension of the organisation could also reflect negotiation power, it is probably reasonable to admit that size of the corporate client might also represent a form of bias in terms of the tendency to respond to items pertaining to RQ.

Finally, there are also reasons to believe that the existence of a signed contract might be associated with the quality of the relationship, given the benefits signed contracts represent. For example, the qualitative empirical evidence suggested that client managers pay more attention to clients with whom they have signed contracts, reflecting structural or contractual bonds established between parties, which, in turn, are associated with social bonds, and that such

clients might benefit from simpler processes. Indeed, one of the crucial tasks for client managers is the 'animation' of contracts, an industry jargon that means to promote the use of hotel services by the clients with signed contracts (see also Vieira and Ennew 2004). In this context, it seemed reasonable to include the existence of a signed contract between parties, as well as the rest of the above described variables as potential control variables in the analysis, given that they can work as biasing factors rather than substantive ones. Before moving on to the tests relating to statistical control, and in order to get a richer knowledge and characterisation of the data, some descriptive statistics were analysed, beginning with the information displayed in Table 7.4, which is organised by client manager (CM).

Table 7.4: Descriptive Statistics for Control Variables.

Variables	Client Manager (CM)		CM 1		CM 2		CM 3		CM 4		CM 5	
	Mean	StD	Mean	StD	Mean	StD	Mean	StD	Mean	StD	Mean	StD
Length of Relationship with Hotel <sup>a</sup>	4.76	1.41	6.72	1.52	6.27	2.23	5.05	1.21	4.72	1.52		
Length of Relationship with CM <sup>a</sup>	2.11	1.22	4.60	1.53	4.63	2.21	2.28	0.93	2.71	1.01		
Contact Intensity <sup>b</sup>	3.54	2.63	3.30	2.21	3.17	4.71	3.82	2.82	3.61	3.04		
Size of Corporate Client <sup>c</sup>	71.68	69.23	96.96	129.6	88.69	109.2	120.5	153.0	109.2	137.2		
Client Share <sup>d</sup>	44.10	20.71	48.31	17.12	36.97	27.61	48.02	17.24	43.17	20.13		
Contract (clients with signed contracts) <sup>e</sup>	54.76	na	60.45	na	60.34	na	67.45	na	58.70	na		

a: number of years; b: number of face-to-face contacts/year; c: number of employees; d: percentage;

e: percentage (number of signed contracts/total of clients of the CM's portfolio); na: not applicable.

Common to all five groups is the fact that, on average, relationships between corporate clients and hotels are longer than those between the representatives of both parties, suggesting some degree of client manager rotation, at least in what hotels 1, 4, and 5 are concerned. An additional interpretation could be that, in general, clients tend to stay with the organisation rather than to follow the client manager in case s/he switches employer. This could be reassuring for firms, for it could mean that the risk of lost clients due to the departure of client managers - an argument sometimes used against the designation of client managers - may not be a serious concern. Still in relation to client managers 1, 4 and 5, it is also noteworthy that the level of contact intensity with corporate clients is higher than in dyads composed by client managers 2 and 3 and their corporate clients. This may reflect the need for client managers to get to know their clients, as soon as they are designated for the responsibility of managing a new portfolio of clients, and/or a compensation for the relatively young age of the relationship. This is also consistent with the discussion in Chapter 2 on the different phases relationships go through (Dwyer et al. 1987; Tzokas and Saren 2004), which imply different attitudes and activities on the part of both buyers and sellers. The young age of the relationships between client managers representing hotels 1, 4, and 5 does not seem to be reflected in the levels of



client share. Indeed, the values regarding client share for these client managers are quite respectable and in the close vicinity of the highest value (48.3% for client manager 2), in contrast with client manager 3, who represents the lowest percentage in terms of client share. This seems to be consistent with the ratings of the constructs representing the main effects of the proposed model, in relation to which client manager 3 also had the poorest results (see Table 7.5), although, in general, there were no significant differences across client managers. Particularly regarding client manager 3, the relatively high standard deviations may indicate that values exhibit a higher variability, when compared to the rest of the client managers, possibly reflecting the concentration of high (low) values in a small (large) number of clients. This seems to happen in both main effects and control variables, as illustrated by both Tables 7.4 and 7.5. Starting with Table 7.4, for example in relation to contact intensity, this could mean that the client manager would be paying many visits to a small number of clients and practically none to the majority of the portfolio. Using one of the variables in Table 7.5 as an example – satisfaction –, this could mean that the majority of the scores are at the neutral level of the scale or below, and that only a small number of respondents attributed high ratings to satisfaction. In addition, taking into consideration the percentage of clients with a signed contract, two kinds of interpretations could be put forward. One of these interpretations would be that it is possible that a client signs a contract with the hotel but does not use the hotel services accordingly, which would explain the coexistence of a relatively high (low) client share with a relatively low (high) percentage of signed contracts. In this case, for example, clients would be using more services than contracted in hotels 1 and 5, and vice-versa in hotel 3. Another line of interpretation would be that some client managers are getting better deals via closing contracts than others are. For example, this could be the result of a better performance on the part of some client managers as far as negotiating contracts is concerned and/or be associated with a better quality of the relationship between parties, which would be also consistent with the ratings attributed by clients to variables representing the key constructs of RQ (see Table 7.5).

The last comment regarding the characterisation of the potential control variables based on descriptive statistics refers to size of corporate client, to introduce an explanation concerning the relatively high values observed in Table 7.4 for the means and standard deviations relating to client managers 2, 4, and 5 vs. client managers 1 and 3. This reflects the fact that hotels 2, 4, and 5 are located in the three major Portuguese cities and, therefore, likely to include a

higher percentage of large firms, whereas hotels 1 and 3 are situated in second-line cities, where large firms are less likely to exist (revisit also section 5.8).

Table 7.5: Mean and Standard Deviation Values for Constructs Representing Main Effects.

Client Manager (CM)	CM 1		CM 2		CM 3		CM 4		CM 5	
Variables	Mean	St D	Mean	StD	Mean	StD	Mean	StD	Mean	St D
Communication	5.26	0.71	5.41	0.62	4.68	1.21	5.28	0.73	5.32	0.73
Problem Solving Behaviour	5.40	0.53	5.42	0.43	4.86	0.91	5.44	0.51	5.49	0.54
Selling Orientation	5.45	0.62	5.39	0.51	4.85	1.02	5.38	0.62	5.47	0.62
Selling Ethics	5.36	0.61	5.23	0.53	4.68	1.01	5.23	0.62	5.32	0.61
Relational Relative Rewards	5.13	0.82	5.08	0.71	4.52	1.21	5.23	0.73	5.06	0.81
Relational Investment&Dependence	5.20	0.91	4.99	0.82	4.61	1.23	5.17	0.82	5.20	0.82
Commitment	5.56	0.63	5.62	0.52	5.05	1.21	5.49	0.61	5.56	0.62
Mutual Goals	5.24	0.72	5.26	0.51	4.76	1.12	5.11	0.72	5.27	0.63
Trust	5.68	0.62	5.70	0.53	4.98	1.20	5.51	0.73	5.61	0.62
Satisfaction	5.05	0.71	5.23	0.61	4.55	1.13	4.86	0.81	5.16	0.61
OBS: All variables rated on a 1 to 7 scale										

In statistical control it is recommended not to include 'impotent variables', that is variables unrelated with the dependent variable, which might reduce statistical power (Becker 2005, p. 285). Therefore, before moving on to testing the structural model with the control variables included, correlation and regression analyses previously conducted were used to help inform the decisions on which controls should be selected for this purpose. Out of the control variables involved in the hypotheses suggested, only the ones that showed potential associations with the endogenous constructs of the proposed model, in terms of both correlation and regression analyses, were considered for inclusion and validation within SEM (Becker 2005; Garonzik et al. 2000). The term 'validation' is used here in the sense of testing whether the hypotheses that were not ruled out on the grounds of previous analyses still hold when incorporated in a structural model together with the main effects.

First, the correlation matrix based on the calibration sample including the constructs representing the proposed model's main effects and the control variables was analysed (see Appendix 7A). The majority of the correlations between the dimensions representing the proposed model's main effects and the control variables are statistically nonsignificant. In those cases where correlations are significant, they are low. A sign of this scenario is the fact that the only correlations significant at the .01 level are the ones between the

satisfaction dimension of RQ (RQS) and both relationship length with client manager (CMrelLen) and size of corporate client (Nempl).

Next, regression analyses were conducted to investigate further to what degree the control variables are related to the variables pertaining to the proposed main effects (in the case of 'contract', a binary variable, independent sample t-tests were conducted). Finally, SEM tests including selected control variables were carried out. Table 7.6 summarises the decision process regarding which variables should be considered for SEM, in order to investigate their impact when incorporated in the structural model, together with the constructs representing the main effects (for a detailed description of these procedures see Appendix 8).

Table 7.6: Summary of Selection Process Regarding Control Variables.

	Length Rel. with Hotel	Length Rel. with CM	Contact Intensity	Client Share	Size of Corp. Client	Contract
<b>Communication</b>						
<b>Problem Solving Behaviour</b>						
<b>Selling Orientation</b>						
<b>Selling Ethics</b>						
<b>Relational Relative Rewards</b>					SR	
<b>Relational Investment and Dependence</b>			C; SR		C; SR	
<b>Commitment</b>	C; SR; MR					
<b>Mutual Goals</b>	MR	MR	C		C; SR; MR	
<b>Trust</b>						
<b>Satisfaction</b>	MR	C; SR; MR			C; SR; MR	

C: positive, significant correlation; SR: positive, significant link in simple regression;

MR: positive, significant link in multiple regression; Shaded cells suggest links eligible for SEM.

In this context, the proposed links added for SEM were as follows (see also Appendix 8):

- Relationship length with hotel (HrelLeng) impacting on commitment;
- Relationship length with client manager (CMrelLen) impacting on RQ [NOTE: this is because satisfaction (RQS) is one of the dimensions of RQ];
- Size of corporate client (Nempl) impacting on both RQ [NOTE: this is also because satisfaction (RQS) is one of the dimensions of RQ] and mutual goals (MG).

Table 7.7 summarises the results obtained after including the control variables in the analysis.

Table 7.7: Results for Structural Model Including Effects of Control Variables.

Parameter	Path	Estimate	SE	t-value	R <sup>2</sup>	Hyp.	Result
COMMITMENT→R. QUALITY	$\beta_{13}$	.23	.051	4.51		H <sub>1</sub>	Supported
M. GOALS→R. QUALITY	$\beta_{12}$	.28	.051	5.42		H <sub>3</sub>	Supported
COMMUNICATION→R. QUALITY	$\gamma_{11}$	.19	.044	4.33		H <sub>4</sub>	Supported
C. ORIENTATION→R. QUALITY	$\gamma_{12}$	.35	.099	3.48		H <sub>7</sub>	Supported
Rel. Length C. Manager→R. QUALITY		.04	.016	2.35			Significant
Size of Corp. Client→R. QUALITY		.00	.000	1.17			Non-sign.
					.39		
COMMITMENT→M. GOALS	$\beta_{23}$	.34	.059	5.69		H <sub>2</sub>	Supported
C. ORIENTATION→M. GOALS	$\gamma_{22}$	.50	.100	4.97		H <sub>6</sub>	Supported
R. NET BENEFITS→M. GOALS	$\gamma_{23}$	.06	.062	1.01		H <sub>9</sub>	Not Supp.
Size of Corp. Client→M. GOALS		.00	.000	1.13			Non-sign.
					.23		
COMMUNICATION→COMMITMENT	$\gamma_{31}$	.22	.044	4.85		H <sub>5</sub>	Supported
C. ORIENTATION→COMMITMENT	$\gamma_{32}$	.34	.096	3.52		H <sub>8</sub>	Supported
R. NET BENEFITS→COMMITMENT	$\gamma_{33}$	.40	.057	7.05		H <sub>10</sub>	Supported
Rel. Length Hotel→COMMITMENT		.03	.015	1.64			Non-sign.
					.31		

Based on the absence of relevant differences in results between tables 7.1 (assessment of structural model) and 7.7 (assessment of structural model including control variables), some comments regarding the role of control variables, that serve to introduce the next step in the analysis, i.e. cross-validation, follow. These results seem to corroborate the decision of treating relationship length with hotel, relationship length with client manager, contact intensity, client share, size of corporate client, and existence of a signed contract as control variables, as described earlier in this dissertation. In other words, had any of these variables proven to be strongly related to constructs representing main effects and, thus, work as substantive factors, they would have to be considered in the structural model as antecedents, mediators or moderators. In addition, the weak associations found in correlation, regression, t-tests, and structural equations analyses seem to suggest that control variables do not exert any biasing effects powerful enough to distort the assessment of any of the constructs representing the main effects. Thereby, this scenario also precludes the risk of increased Type I and Type II errors (Becker 2005; Spector et al. 2000).

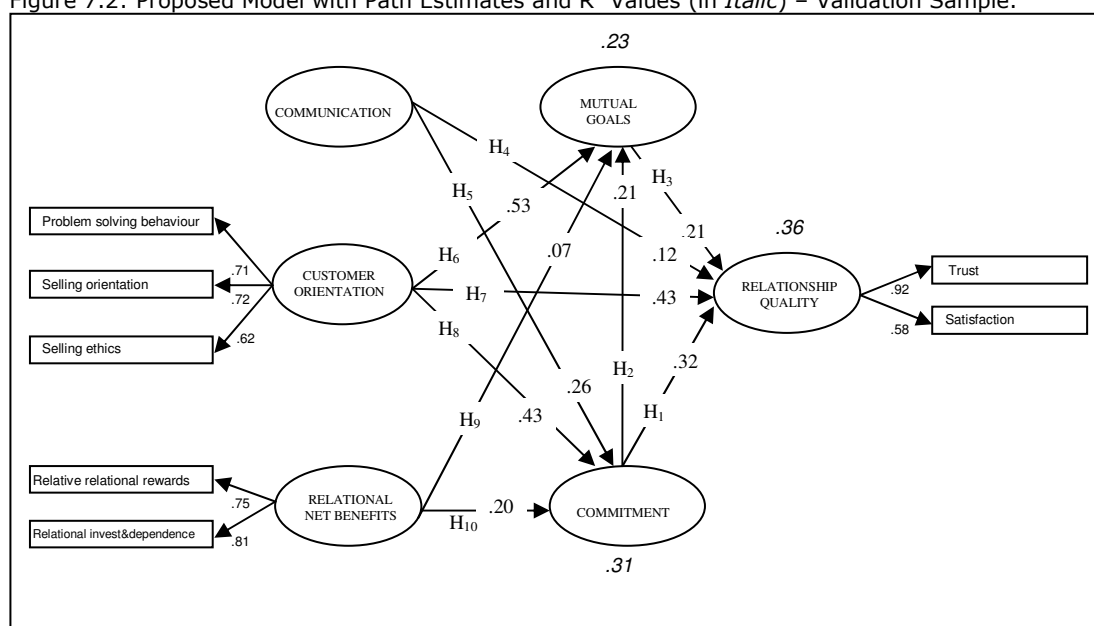
Length of relationship with client manager (CMrelLen) was the only control variable that revealed a significant association with a dimension of a main effect - with RQS, the satisfaction dimension of RQ. Nevertheless, its importance in terms of strength and significance of its association with RQ was not considered relevant enough to be considered a main effect. In fact, the relation between CMrelLen and RQS, though statistically significant, was rather weak, in terms of correlations, both simple and multiple regressions, as well as within SEM. In the latter case, this control variable revealed a very low parameter estimate, only marginally significant, and without any relevant impact or contribution in terms

of variance explained or goodness-of-fit statistics, and this was also why it was not eligible to pertain to main effects. Given that results were essentially identical with or without controls, that is, control variables can be ruled out as potential additional explanations for the phenomena of interest, subsequent analyses should only report results regarding main effects (Becker 2005). Therefore, the model is going to be put to test, in terms of cross-validation, including only the main effects initially proposed and the corresponding associations among them, a procedure that is described in the next section. In this context, after using the calibration sample for testing the proposed model and submitting it to statistical control, the chapter now moves on to the phase of model cross-validation, based on the validation sample.

### 7.3 Cross-validation

The results of the first test of the final structural model on the validation sample (see figure 7.2) seem to corroborate those based on the calibration sample (see also Appendix 7B for the correlation/covariance matrices based on the validation sample). In effect, when tested on the validation sample, the model also showed a good overall fit:  $\chi^2 = 49.80$  ( $p=.0023$ ),  $df=25$ ,  $\chi^2/df=1.99$ , RMSEA=.046, GFI=.98, AGFI=.95, NNFI=.98, CFI=.99. In addition, using the validation sample, all signs of the associations between constructs were also in accordance with hypothesised relationships.

Figure 7.2: Proposed Model with Path Estimates and  $R^2$  Values (in *Italic*) – Validation Sample.



Analogous to the calibration sample, results of the validation sample support all but one ( $H_9$ ) of the hypothesised relationships – that is,  $H_1$  to  $H_8$ , and  $H_{10}$ .

Indeed, as can be read from Table 7.8, all parameter estimates were also significant at  $p < .05$  or better (again with the exception of the link correspondent to  $H_9$ ). In terms of the strength of path estimates, the testing of the model on the validation sample corroborated the order of relative importance of the various constructs that had been suggested by the results based on the calibration sample. Customer orientation is confirmed as the strongest (direct and indirect) determinant of RQ, followed by commitment. This study's results seem to highlight customer orientation as a building block of RQ on a consistent basis, in addition to commitment, which acts as both determinant of RQ (direct and indirect) and mediator of the effects of the exogenous variables on RQ. The role of trust is also highlighted, in this case as the dominant dimension of RQ. Also consistent with the results of the calibration phase, the testing of the structural model on the validation sample corroborates the importance of mutual goals as both direct determinant of RQ and mediator of the effects of customer orientation and commitment. Contrary to expectations and hypotheses suggested, and as happened with the calibration sample, the association between relational net benefits and mutual goals ( $H_9$ ) revealed to be nonsignificant, which means that the influence of relational net benefits of RQ is exerted only through commitment. The cross-validation results also reiterate the concerns about the role of communication, particularly regarding its direct association with RQ (although the global impact on RQ is within acceptable thresholds). In addition, the square multiple correlations for the structural equations were quite respectable, though slightly lower than those of the calibration sample. Although the amount of variance explained is considered acceptable in relation to both the calibration and the validation samples, it is also acknowledged that, ideally, a model should explain a higher percentage of the variance. Therefore, as detailed in the next chapter, it is important that future research should investigate other potential antecedents that could improve the explanatory power of the model.

Table 7.8: Results for Structural Model Assessment – Validation Sample.

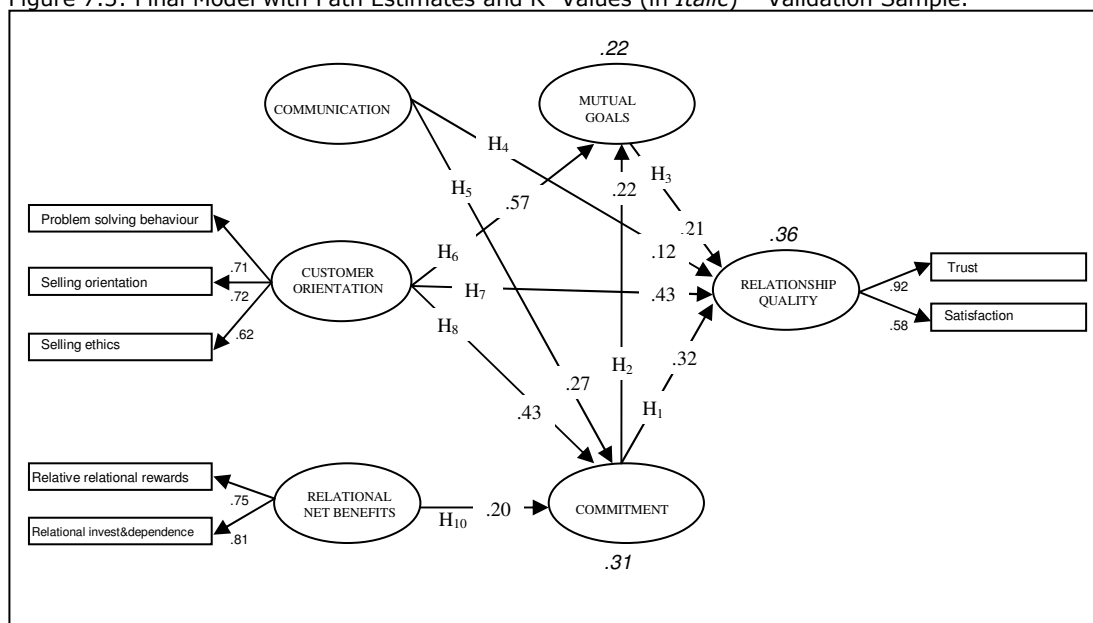
Parameter	Path	Estimate	SE	t-value	R <sup>2</sup>	Hyp.	Result
COMMITMENT→R. QUALITY	$\beta_{13}$	.32	.052	6.26	.36	H <sub>1</sub>	Supported
M. GOALS→R. QUALITY	$\beta_{12}$	.21	.054	3.87		H <sub>3</sub>	Supported
COMMUNICATION→R. QUALITY	$\gamma_{11}$	.12	.046	2.62		H <sub>4</sub>	Supported
C. ORIENTATION→R. QUALITY	$\gamma_{12}$	.43	.100	4.18		H <sub>7</sub>	Supported
COMMITMENT→M. GOALS	$\beta_{23}$	.21	.055	3.73	.23	H <sub>2</sub>	Supported
C. ORIENTATION→M. GOALS	$\gamma_{22}$	.53	.110	4.96		H <sub>6</sub>	Supported
R. NET BENEFITS→M. GOALS	$\gamma_{23}$	.07	.060	1.18		H <sub>9</sub>	Not Supp.
COMMUNICATION→COMMITMENT	$\gamma_{31}$	.26	.050	5.55	.31	H <sub>5</sub>	Supported
C. ORIENTATION→COMMITMENT	$\gamma_{32}$	.43	.100	4.28		H <sub>8</sub>	Supported
R. NET BENEFITS→COMMITMENT	$\gamma_{33}$	.20	.060	3.46		H <sub>10</sub>	Supported

Table 7.9 presents the aggregate of both direct and indirect effects exerted by both exogenous and endogenous latent variables.

Table 7.9: Decomposition of Structural Effects – Validation Sample.

<b>Effect on R. QUALITY</b>	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
COMMITMENT	.320	.044	.366
MUTUAL GOALS	.210		.210
COMMUNICATION	.120	.100	.220
CUSTOMER ORIENTATION	.430	.270	.700
RELATIONAL NET BENEFITS		.086	.086
<b>Effect on MUTUAL GOALS</b>			
COMMITMENT	.210		.210
COMMUNICATION		.055	.055
CUSTOMER ORIENTATION	.530	.090	.620
RELATIONAL NET BENEFITS	.070	.040	.110
<b>Effect on COMMITMENT</b>			
COMMUNICATION	.260		.260
CUSTOMER ORIENTATION	.430		.430
RELATIONAL NET BENEFITS	.200		.200

As far as the non-significant link is concerned, which corresponds to the proposed association between relational net benefits and mutual goals reproduced in hypothesis H<sub>9</sub>, the estimated parameter is very low and worryingly close to zero, posing questions on whether or not to include it in the model. Diamantopoulos and Siguaw (2000) suggest that the fact that a parameter estimate does not deviate significantly from zero would mean that we cannot reject the hypothesis that it is zero, and recommend to fix this parameter value at zero. In this context, a version of the model without the non-significant link was tested (see figure 7.3). Both model's goodness of fit indices are very similar and within thresholds indicating good fit:  $\chi^2 = 52.17$  ( $p=.0017$ ),  $df=26$ ,  $\chi^2/df=2.00$ , RMSEA=.046, GFI =.98, AGFI= .95, NNFI=.98, CFI=.99 for the revised model; and  $\chi^2 = 49.80$  ( $p=.0023$ ),  $df=25$ ,  $\chi^2/df=1.99$ , RMSEA=.046, GFI =.98, AGFI= .95, NNFI=.98, CFI=.99 for the initial model, i.e., the proposed model based on the validation sample. In this context, the revision of the model was undertaken to improve the model, not in terms of fit, but for the sake of simplicity/parsimony. This kind of model modification is only appropriate when the revised model is as substantively interpretable and fits almost as well as the initial model (Diamantopoulos and Siguaw 2000), which is the case here.

Figure 7.3: Final Model with Path Estimates and R<sup>2</sup> Values (in *Italic*) – Validation Sample.

As can be read from Table 7.10, all parameter estimates were significant at  $p < .05$  or better (after the removal of the link correspondent to  $H_9$ ). Apart from that, the comments are analogous to those relating to the first test of the proposed model on the validation sample.

Table 7.10: Results for Structural Model Assessment – Validation Sample, Final Model.

Parameter	Path	Estimate	SE	t-value	R <sup>2</sup>	Hyp.	Result
COMMITMENT → R. QUALITY	$\beta_{13}$	.32	.050	6.27	.36	H <sub>1</sub>	Supported
M. GOALS → R. QUALITY	$\beta_{12}$	.21	.060	3.79		H <sub>3</sub>	Supported
COMMUNICATION → R. QUALITY	$\gamma_{11}$	.12	.050	2.61		H <sub>4</sub>	Supported
C. ORIENTATION → R. QUALITY	$\gamma_{12}$	.43	.100	4.20		H <sub>7</sub>	Supported
COMMITMENT → M. GOALS	$\beta_{23}$	.22	.050	4.06	.22	H <sub>2</sub>	Supported
C. ORIENTATION → M. GOALS	$\gamma_{22}$	.57	.100	5.57		H <sub>6</sub>	Supported
COMMUNICATION → COMMITMENT	$\gamma_{31}$	.27	.050	5.57	.31	H <sub>5</sub>	Supported
C. ORIENTATION → COMMITMENT	$\gamma_{32}$	.43	.100	4.23		H <sub>8</sub>	Supported
R. NET BENEFITS → COMMITMENT	$\gamma_{33}$	.20	.060	3.44		H <sub>10</sub>	Supported

Analogously, Table 7.11 presents the aggregate of both direct and indirect effects exerted by both exogenous and the endogenous latent variables. The aggregate results reiterate the dominant role of customer orientation as direct and indirect determinant of RQ. The construct of customer orientation also exhibits the strongest of all impacts on the other two endogenous latent variables, commitment and mutual goals, which adds to its importance in the model. The second most important construct in the model is commitment, as evidenced by both direct and indirect (through mutual goals) effects on RQ. Communication, mutual goals, and relational net benefits also play a relevant role in the model, despite the relatively lower influence suggested by the information in Table 7.11. Communication acts as a direct determinant of



commitment and an indirect determinant of mutual goals, and its direct and indirect effects on RQ, taken together, cannot be considered negligible. The construct of mutual goals, in turn, plays an important role as both direct determinant of RQ and mediator of the effects of the strongest constructs in the model, customer orientation and commitment. The influence of relational net benefits on RQ, although weaker than initially expected, is also statistically significant and non negligible, thereby contributing to the good performance of the model, particularly through its association with commitment. Finally, as far as the associations between constructs representing the main effects and first-order constructs/dimensions are concerned, no relevant differences were found in relation to the results of the model based on the calibration sample (and no differences at all in comparison to the model in Figure 7.2). Indeed, trust continues to be the strongest indicator of RQ, selling ethics the less dominant dimension of customer orientation, and both indicators of relational net benefits quite balanced.

Table 7.11: Decomposition of Structural Effects – Final Model.

<b>Effect on RQUAL</b>	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
COMMITMENT	.320	.046	.366
MUTUAL GOALS	.210		.210
COMMUNICATION	.120	.100	.220
CUSTOMER ORIENTATION	.430	.280	.710
RELATIONAL NET BENEFITS		.072	.072
<b>Effect on MUTUAL GOALS</b>			
COMMITMENT	.220		.220
COMMUNICATION		.058	.058
CUSTOMER ORIENTATION	.570	.090	.660
RELATIONAL NET BENEFITS		.043	.043
<b>Effect on COMMIT</b>			
COMMUNICATION	.270		.270
CUSTOMER ORIENTATION	.430		.430
RELATIONAL NET BENEFITS	.200		.200

These results seem to indicate that model stability does not appear to be a serious concern, due to the good performance of the final version of the model when tested on the validation sample. Overall, these results seem to constitute sufficient evidence that the proposed conceptual framework is supported by the data, while reinforcing support for the nomological validity of the constructs that integrate the final model. However, it is advisable to conduct additional analyses in order to scrutinise the suggested good fit of the model. The next sections describe the assessment of the statistical power associated with testing a model, as well as an analysis of competing models.

### 7.3.1 Power Assessment

According to Diamantopoulos and Siguaw (2000), the assessment of statistical power is an important, but often neglected, aspect related to the test of the

model. The Chi-Square test only deals with the Type I error, that is, the probability of rejecting a correct model, whereas the statistical power of the test is associated with the Type II error, the probability of not rejecting an incorrect model. More specifically, the power of the test is the likelihood of avoiding Type II error, indicating the probability of rejecting an incorrect model. Both tests are used in a complementary way, and the power test is important due to the influence of sample size, namely because large samples tend to amplify small specification errors, leading to the rejection of the model (and vice-versa). A high power of the test means that any relevant specification errors would be detected. If, in addition, the Chi-Square is not significant, the model can be accepted without reservations.

One way of evaluating the power of the test is to consult MacCallum, Browne, and Sugawara (1996, p. 144, Table 4), and check the minimum necessary sample size for a given level of statistical power of the test. The model under analysis has 26 degrees of freedom. For this particular case, the above mentioned table states that, for attaining a power level of .80, which is considered sufficient 'for most practical purposes' (Diamantopoulos and Sigauw 2000, p. 96), with 25 degrees of freedom (the more the degrees of freedom, the less the sample size needed), when testing for close fit, the size needed is  $N = 363$ . This is clearly exceeded by the sample size used in both the calibration and the validation phases ( $N = 474$  each), meaning that the probability of detecting major misspecifications is at least .80 and, in addition, that there would be sufficient power to test the model with a sample more than 20% smaller.

The values of the chi-square statistic and the power of the test, taken together, offer strong reasons to believe that there are no serious discrepancies between the hypothesized model and the data, or, in other words, that the data fit the model.

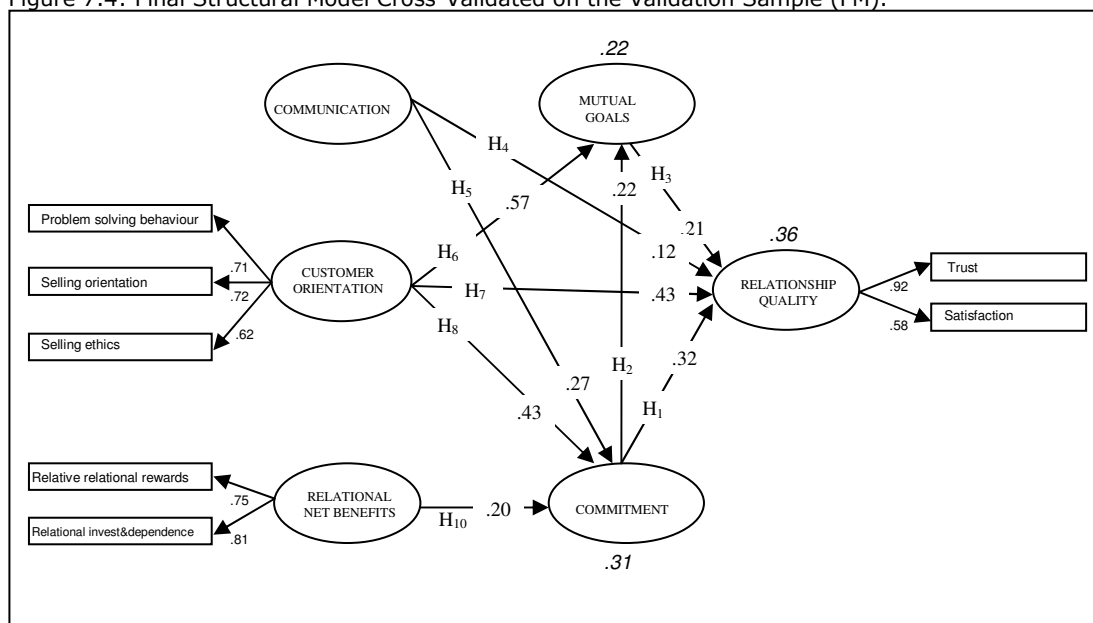
### **7.3.2 Evaluation of Alternative Models**

As mentioned earlier in this dissertation, the model proposed in this study was devised taking into consideration both the literature on the field and the opinions of the actors in the hotel industry, collected during the qualitative phase of this study. The implications of this are twofold. On the one hand, the combination of literature and qualitative empirical evidence lends credence from researchers and practitioners to the proposed model; on the other hand, context is likely to play an important role. For example, the conceptualisation of the RQ construct is in line with Crosby et al.'s (1990) people-based approach, in accordance with the

context of the present study, and the decisions on either to include or exclude paths in the model were informed by both theory and the results of the mentioned qualitative phase of the research. However, even if a given proposed model exhibits an acceptable fit and cross-validates well, there may be alternative models, containing different associations among the variables, which could show the same level of goodness-of-fit. Thus, to compare one's model to alternative models - a procedure that is, somewhat surprisingly, not used as a rule in the previous RQ model propositions that can be found in the literature - is a fundamental practice in SEM (Bagozzi and Yi 1988; Diamantopoulos and Siguaw 2000; Hair et al. 1998).

In this context, a series of alternative models, consistent with previous propositions in literature, were formulated and compared to the model proposed in the present study, on the following criteria: AIC (Akaike's Information Criterion), considered particularly appropriate for comparing rival models (Alden et al. 2006; Williams and Holahan 1994); ECVI (Expected Cross Validation Index), as an indicator of a model's overall fit; and parsimony, as measured by PNFI, the Parsimonious Normed Fit Index (Diamantopoulos and Siguaw 2000). These first three criteria are especially adequate when competing models comparison involves nonnested models, i.e., models that differ in number of constructs or indicators, in which cases the researcher must rely on criteria that take into account, not only fit, but parsimony as well (Hair et al. 1998; Jöreskog and Sörbom 1993). Complementarily, overall fit as measured also by CFI (Comparative Fit Index) was used for comparison purposes, as well as two other comparison indicators that have been used previously for comparing competing models (e.g. Morgan and Hunt 1994): comparative percentage of hypothesised statistically significant parameters; and average squared multiple correlations for the endogenous constructs (ASMC). Other goodness-of-fit indices, namely the ones used in previous analyses in this study, are also included to complement the comparative analysis between the final structural model cross-validated on the validation sample (FM), reproduced again in Figure 7.4 for the reader's convenience, vs. alternative models.

Figure 7.4: Final Structural Model Cross-Validated on the Validation Sample (FM).



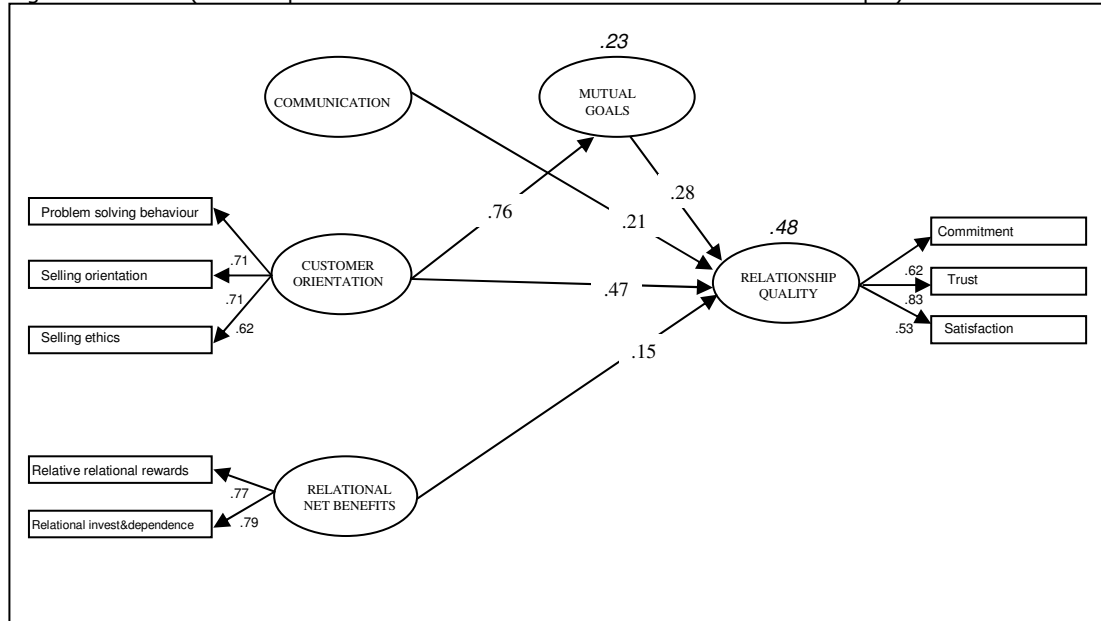
To begin with, the results relating to the ACI and the ECVI criteria suggest that all the below described alternative/rival models perform worse than FM, given that the latter shows the lowest values for both ACI and ECVI (see Table 7.12, for a summary of the results of the comparative analysis). The fact that FM exhibits the smallest value for the AIC corresponds to a better fit of FM in comparison to all the rival models, while the smallest value for ECVI indicates FM as the model with the greatest potential for replication (Diamantopoulos and Siguaw 2000). However, the analysis on alternative models proceeds, using the rest of the above mentioned criteria, in order to provide a more detailed and consistent idea on this subject.

Let AM1 be the first proposed alternative model that was compared to the results of FM. In AM1 (see Figure 7.5), commitment was moved from antecedent to dimension of RQ. The rest of the structure of FM was maintained, only relational net benefits in AM1 is now directly linked to RQ (whereas in FM this link is mediated by commitment) – an association that has been proposed previously (Hennig-Thurau et al. 2002). As mentioned in Chapter 3, this simulates one of the most common conceptualizations in the literature, where commitment, satisfaction and trust were simultaneously included as dimensions of RQ (Dorsch et al. 1998; Ivens 2004; Ivens and Pardo 2007; Rauyruen and Miller 2007; Roberts et al. 2003; Ulaga and Eggert 2006a). Regarding the overall fit of the models under comparison, AM1's CFI is lower than that of FM (.97 vs. .99). All the hypothesized parameters are statistically significant in both models. In the AM1 model, a little explanatory power is gained, with a mean increment in the

average squared multiple correlations for the endogenous variables of only .058, and PNFI is also slightly higher (.62 vs. .56). Because of the somewhat contradictory and inconclusive nature of these results, the models were also compared on the goodness-of-fit indices used during previous analyses. These additional criteria showed a better performance of FM vs. AM1, reinforcing the earlier indication of AIC and ECVI (see also Table 7.12).

Analogous to the comments made during the previous phases of the assessment of the structural model, although the focus of this section is on the comparison of the level of goodness-of-fit between rival models, some considerations regarding the role of the constructs in AM1 compared to FM are also worthy of note. Customer orientation remained as the most influential determinant of RQ, continuing to exhibit a strong impact, both directly and indirectly via mutual goals (in AM1 the estimate of the path from customer orientation and mutual goals is stronger than in FM). This contributes to reinforce the importance of customer orientation as a building block of RQ. As stated, commitment was included in AM1 as a dimension of RQ. The information displayed in Figure 7.5 suggests that commitment assumed the role of the second dominant dimension of RQ, right after trust, which maintained the status of the most dominant dimension of RQ. This seems to suggest that, in certain contexts, commitment might perform an important function as a dimension/outcome of RQ, which would be consistent with some literature (e.g. Dorsch et al. 1998; Kumar et al. 1995). This possibility notwithstanding, the role of commitment as antecedent seems to be an essential one. For example, as far as the construct of relational benefits is concerned, it looks as though its influence is to a good degree dependent on the mediation of commitment, since the absence of the latter led to a decrease of the effects of relational net benefits on RQ. Mutual goals reiterated its important role as both direct determinant of RQ and mediator of the effects of customer orientation, while communication maintained a non negligible influence on RQ, in this case only a direct one (as happened also in relation to relational net benefits) due to, again, the absence of commitment as a mediator in AM1.

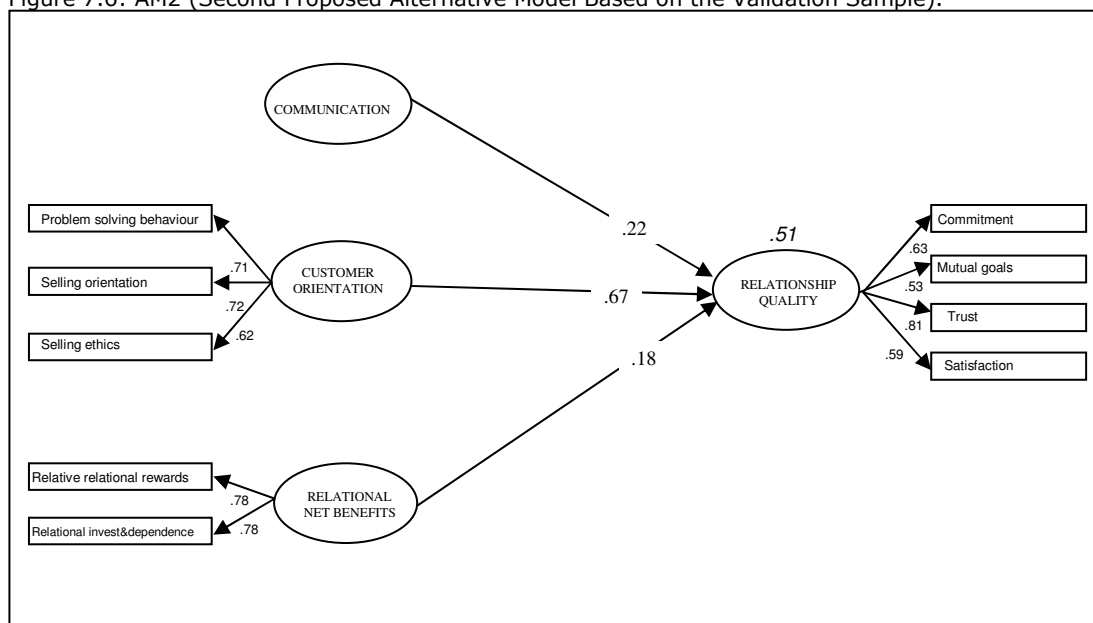
Figure 7.5: AM1 (First Proposed Alternative Model Based on the Validation Sample).



Also consistent with the literature (Roberts et al. 2003) and with previous approaches to evaluating alternative models (e.g. Hennig-Thurau et al. 2002; Morgan and Hunt 1994) a non mediated model, AM2, including mutual goals as a dimension of RQ, together with commitment, satisfaction and trust, was executed (see Figure 7.6). In this model, even though all parameters are statistically significant, the PNFI is higher (.64) than that of FM (.56), and some explanatory power is gained (ASMC increased by .213), the CFI index (.97) is below FM's CFI (.99), as happened also with AM1. Again, other goodness-of-fit indices were used to clarify the comparison between the rival models, with FM also performing better than AM2, as the ACI and ECVI criteria had already suggested (see Table 7.12).

Regarding the role of the constructs integrating the model there are no relevant differences in relation to the relative importance of the exogenous constructs when compared to both FM and AM1, only there are no mediated effects given that both mediators (commitment and mutual goals), were used as RQ dimensions in AM2, as mentioned. With respect to the RQ dimensions in AM2, trust remains as the most important dimension, followed by commitment and satisfaction, while the construct of mutual goals seems to be the weakest first order construct of RQ.

Figure 7.6: AM2 (Second Proposed Alternative Model Based on the Validation Sample).

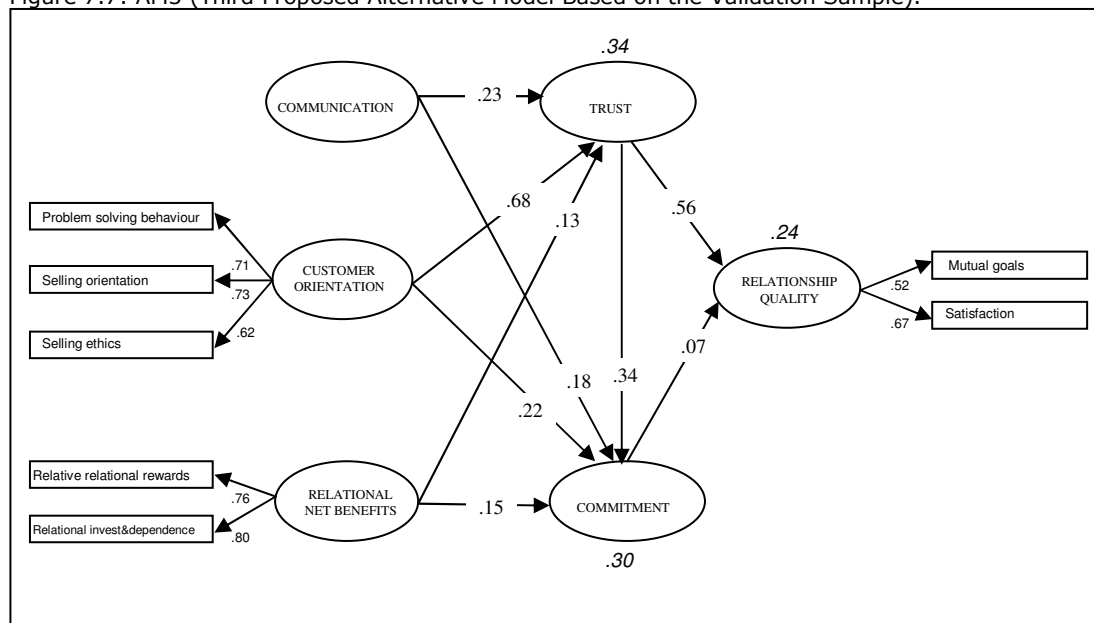


A third model, AM3 (see Figure 7.7), using trust and commitment as mediators between the exogenous variables and RQ, in an analogy to Morgan and Hunt's (1994) 'Commitment-Trust Theory of Relationship Marketing', was also compared to FM. Except for equal values for PNFI (.56), this alternative model also shows poorer results compared to FM, regarding all the parameters used for comparison, in coherence with both the AIC and ECVI criteria's early indication of a better performance of FM. Again, considering the results of all the criteria, FM seems to exhibit a better performance (see Table 7.12).

As far as the relative importance of the constructs in the model, the most salient feature observed in AM3 was the prominent role of the construct of trust, especially as a direct determinant of RQ. So much so that the direct effect of commitment on RQ was virtually annulled in favour of that of trust. In addition, trust assumed an important role as a mediator of the effects of all the exogenous latent variables, among which customer orientation continues to be the dominant construct. This seems to suggest that, although trust has been very rarely modelled as an antecedent of RQ in literature (only in 3 out of the 30 studies including trust examined in Chapter 3), the possibility of finding the appropriate context and structure of a 'trust-as-antecedent' model cannot be completely ruled out. Had this been the case of this research, and the option of including trust as a determinant of RQ in the model proposed in this study would have to be considered. Nevertheless, this issue certainly deserves future attention on the part of researchers in this area. Regarding the constructs included as dimensions, it is noteworthy that, with the removal of trust and commitment (which were moved to antecedents of RQ in AM3), satisfaction assumes the role

of the dominant dimension of RQ. Finally, selling ethics was maintained as the weakest of the customer orientation dimensions, while both dimensions of relational benefits remained quite balanced, two features that have been consistently corroborated throughout the whole analysis.

Figure 7.7: AM3 (Third Proposed Alternative Model Based on the Validation Sample).



Overall, the results of analysing the alternative models provide further support to the robustness of the model proposed in this investigation. In effect, FM, the proposed model cross-validated on the validation sample, performs better than its rivals in virtually all comparison criteria. Exceptions refer to ASMC and PNFI in models AM1 and AM2. However, only in the latter case the difference between PNFI across models under comparison is considered to be substantial as it exceeds .06 (Hair et al. 1998). In terms of goodness-of-fit indices, although differences might be viewed as not substantial as far as GFI, AGFI, and NNFI are concerned, there are significant differences with respect to RMSEA and the ratio  $\chi^2/df$ , which are within thresholds indicating good fit, contrary to what was observed for all the alternative models (see Table 7.12).

Although results led to the rejection of the alternative models in favour of the model proposed in this study, they also present some reasons for reflection, namely regarding the relatively acceptable overall results of AM2, which conceptualises both commitment and mutual goals as dimensions of RQ, along with trust and satisfaction. The construct of mutual goals turned out to be the weakest dimension of RQ in AM2, which suggests that its role in the model is primarily as both direct determinant of RQ and mediator of the effects of commitment and customer orientation on RQ, as conceptualised in FM. In



contrast, commitment, when included as a dimension of RQ in AM2, assumed the position of 'second-dominant' dimension, right after trust. This poses questions on whether commitment should be modelled as a dimension of RQ, as in AM2, or, instead, as a determinant of RQ (both direct and indirect) and a mediator of the effects of communication, customer orientation, and relational net benefits on RQ, as in FM. However, the fact that AM2 performs worse than FM in the majority of the comparative evaluation criteria seems to reinforce the idea that, even though commitment could potentially be considered as a dimension of RQ, in case the right context and structure could be found, its inclusion as a determinant and mediator tends to produce better overall model fits. Nevertheless, it is worthy of note that both FM and the 'second-best-performing' alternative model are in line with some previous studies, which seems to corroborate that research context may play a relevant role in modelling the associations among the constructs of interest, as acknowledged in the literature (e.g. Palmatier et al. 2006). Furthermore, the fact that neither AM1 nor AM3 can be considered 'bad' models highlights the fact that it is difficult to disentangle the issue of causality in cross-sectional studies, thereby emphasising the complexity of developing a generally accepted model and the need for future research on the nature of RQ and its antecedents and consequences, ideally from a longitudinal perspective.

Table 7.12: Summary of Alternative Models Evaluation – Validation Sample.

<b>Comparison Criteria \ Rival Models</b>	<b>FM</b>	<b>AM1</b>	<b>AM2</b>	<b>AM3</b>
ECVI (Expected Cross Validation Index)	.23	.27	.27	.27
AIC (Akaike's Information Criterion)	110.2	129.2	126.9	125.96
PNFI (Parsimonious Normed Fit Index)	.56	.62	.64	.56
CFI (Comparative Fit Index)	.99	.97	.97	.98
Percentage of Significant Parameters	100	100	100	92
ASMC (Average Squared Multiple Correlations)	.297	.355	.510	.293
$\chi^2$ (Chi-square Goodness-of-Fit Test)	52.17	77.24	76.91	67.92
P - Value	.002	.000	.000	.000
Df (Degrees of freedom)	26	29	30	26
Ratio $\chi^2$ /Df	2.00	2.66	2.56	2.61
RMSEA (Root Mean Squared Error of Approximation)	.046	.059	.057	.058
GFI (Goodness-of-Fit Index)	.98	.97	.97	.97
AGFI (Adjusted Goodness-of-Fit Index)	.95	.94	.94	.94
NNFI (Non-Normed Fit Index)	.98	.96	.96	.96

## 7.4 Conclusion

The results of the assessment of the structural model carried out in this chapter through LISREL indicated that the proposed RQ model had a good fit and that the amount of variance in the endogenous variables explained by the respective proposed determinants was acceptable. All but one of the associations hypothesised were supported, resulting in a scenario where the variables customer orientation, communication, and commitment exerted both direct and indirect effects on RQ, mutual goals exerted direct effects only, and relational

net benefits indirect effects only. Customer orientation, modelled as an exogenous construct, emerged as the most important determinant, with relatively strong direct and indirect effects, not only on RQ, the central endogenous construct in the model, but also on the other endogenous latent variables, commitment and mutual goals. Commitment exhibited the second best performance, namely regarding its direct association with RQ, although the path estimate was not as high as that of customer orientation.

Three alternative models were analysed and rejected in favour of the model proposed in this study. The evaluation of alternative models also provided more detail on the possible associations between constructs. While corroborating the role of each construct as proposed in the model devised in this study, the analysis also raised questions about two of the building blocks of RQ: trust and commitment. Indeed, the results of this research, while confirming trust as a dimension and commitment as a determinant of RQ, also suggested the possibility that these two constructs might have different positions in the model. This leaves the role of trust and commitment open to debate and reiterates the difficulty of establishing causality in cross-sectional studies.

Overall, taking into account the foregoing results, which, in turn, were scrutinised through statistical control, cross-validation, analysis of statistical power, and comparison with rival models, it is perceived that there is a high probability that the model is correct for the population of interest. The next and final chapter of this dissertation discusses these results in light of extant theory, suggests theoretical and managerial implications, presents the study's limitations, and explores directions for future research.

## CHAPTER 8 – CONCLUSION

### 8.1 Introduction

Within (and in order to accomplish) the general goal of identifying the nature, determinants and dimensions of RQ, this study developed a model of relationship quality (RQ) for people-based relationships in a business-to-business (B2B) context, characterised in addition by maturity and highly intense competition, as detailed earlier. To this end, this study combined both qualitative and quantitative approaches to explore the nature of RQ and its determinants and dimensions. More specifically, in order to accomplish the proposed research goals, the following questions were successively addressed in a B2B services context where the representatives of organisations engage in dyadic interactions: i) What are the characteristics of people-based relationships and RQ in a B2B context? ii) What are the relational/interpersonal determinants and dimensions of B2B RQ? iii) How can B2B RQ be modelled from an interpersonal perspective?

This chapter aims at systematising the results of the investigation in light of the proposed research objectives. The following sections are concerned with the answers to the above reiterated research questions. Then, the chapter moves on to the contributions of the present investigation for both researchers and practitioners, which refer to the mentioned specific context, and finalises with the study's limitations and suggestions for future research.

### 8.2 The Nature of People-Based Relationships and RQ in a B2B Context

Answers to the first question, that is, to the first research goal – to characterise people-based relationships and RQ in a B2B context - can be found mainly in the combination of the literature on RQ with the results derived from the qualitative phase of the present research, which was conducted from a dyadic perspective, as a first step to better understand the nature, determinants and dimensions of RQ. As stated, the RQ concept was born in a relationship marketing (RM) environment, which is characterised by long-term interactive relationships (Gümmesson 1987). RM, in turn, finds its best habitat in B2B and service contexts where long-term interactions and the formation of social bonds are important (O'Malley and Tynan 2000). Likewise, RQ, being the result of RM efforts (Palmatier et al. 2006), is also intrinsically long-term, strategic and predominantly interpersonal. In this context, this study has adopted the following definition of RQ, by Boles et al. (Boles et al. 1997, p. 254): 'an

evaluation of the personal and business ties linked to an interaction between a buyer and a salesperson in a business setting’.

The qualitative, exploratory component of the present investigation highlighted the importance of social bonds, which appear to foster contractual bonds and positively influence the perception of RQ, propensity for recommendation and expectation of future interaction, as described in Chapter 4. This is consistent with previous research that suggests that strong social bonds are associated with commitment to maintain the relationship (Wilson 1995). This is also in line with the before mentioned emphasis on long-term person-to-person interaction, which, in turn, refers us to the importance of dedicated salespersons/designated relationship managers, widely recognised by authors in the area of RM (e.g. Gummesson 1991; Tzokas et al. 2001). According to Gummesson (1998; 1991), full-time marketers (those working in the formal marketing department) are not able to be at the right place at the right time with the right customer contact and right knowledge, which is why part-time marketers (those not working in the formal marketing department) play a crucial role in the management of a company’s relationships. Relationship managers, a special kind of part-time marketers, seem to be in a privileged position to identify which relationships to maintain, which to terminate, or which relationships are profitable and which are not – in short, how relationships should be managed (Donaldson et al. 2001). Moreover, if a service-centric view of marketing is customer-centric and implies that ‘value is defined by and cocreated with the consumer rather than embedded in output’ (Vargo and Lusch 2004, p. 6), relationship managers seem to be particularly able to collaborate with and learn from customers in order to adapt to their unique and dynamic needs and to fulfil promises.

If social bonds are able to encourage customer repurchase and retention, they may have implications for overall profitability. For example, results of the interviews demonstrated that the percentage of signed contracts with corporate clients was very high in hotels with designated client managers and close to zero in hotels without client managers. The reason for this seems to be associated with the evidence of a more proactive management of the relationships with clients on the part of hotels with designated client managers. The client manager’s role typically includes winning and keeping clients, and monitoring levels of RQ. One of the major contributions for the achievement of the client managers’ objectives is the ‘animation’ of contracts, an industry term that describes a process of increasing the volume of business associated with contracts signed between both parties, among other functions, as mentioned in

Chapter 4. These apparent links constitute an opportunity for future research. Of particular significance is also the finding that there is considerable congruence between the perceptions of both parties in each dyad – designated client managers and their key contacts in corporate clients. However, it should be noted that, since hotel managers were used to gain access to corporate clients, there might exist some bias inherent to the sampling process.

In addition, data gathered through the main survey, although not from a dyadic approach, also helped to complement the characterisation of people-based relationships and RQ in an inter-organisational context. On average, the length of the relationship between the corporate client and the hotel was higher than the length of the relationship between the corporate client and the client manager. This suggests some degree of client manager rotation, but, at the same time, it implies that corporate clients tend to stay with the organisation rather than to follow the client manager, which, in turn, could mean that the risk of losing clients due to the loss of client managers may not be a serious concern. This could also work as a reassurance for managers and, hopefully, an extra argument for including designated client managers in firms' strategies. The age of the relationship, either with the hotel or with the client manager did not seem to have a decisive influence on client share nor on the percentage of signed contracts, given that it was possible to find younger relationships with better performances than older relationships (and vice-versa). Conversely, the age of the relationship between the corporate client and the client manager seemed to have some influence on the level of contact frequency. Contact frequency was higher for younger relationships, which may reflect the need for client managers to introduce themselves to their counterparts in firms, and to get to know them better right after taking charge of a new portfolio of clients. This is in line with the idea that older relationships require less frequent contacts, because communication is already well-established between the (well-understood) partners in the dyad (Anderson and Weitz 1989). It is also consistent with the idea that different phases of the relationship require different activities and attitudes on the part of both buyers and sellers (Dwyer et al. 1987; Tzokas and Saren 2004). With respect to signed contracts, the coexistence of relatively high values for client share with relatively low percentages of signed contracts (and vice-versa) suggested that some client managers are getting better deals than others are through the negotiation and signature of contracts. This, together with the mean scores attributed by clients to variables representing the key constructs of RQ, could be interpreted as a better performance on the part of

some client managers as far as negotiating contracts is concerned and/or be associated with a better quality of the relationship between parties.

### **8.3 Identified RQ Determinants and Dimensions**

In terms of RQ determinants and dimensions, previous research identified building blocks such as commitment, satisfaction and trust, among other constructs, however their connections in models lack consistency and a people-based, inter-organisational perspective. This research provided both theoretical and empirical support for the conceptualisation and operationalisation of RQ as a higher-order construct composed of two dimensions - trust, the ability and willingness to rely on the salesperson's integrity and behaviour so that the long-term expectations of the buyer will be met (Crosby et al. 1990), and satisfaction, the assurance, perceived by the buyer, regarding the salesperson's future performance, given that past performance has been consistently satisfactory (Crosby et al. 1990) - in line with Crosby et al.'s (1990) seminal and frequently replicated study, as well as for the identified determinants of RQ and their connections in the model, from a people-based, inter-organisational approach. The identified RQ determinants include commitment, the parties' firm and consistent motivation to maintain a certain relationship that is valued by them (Morgan and Hunt 1994), communication, the ability to use unique combinations of code, content, and communication rules to communicate effectively (Williams and Spiro 1985), customer orientation, the degree to which client managers adopt behaviours aiming at increasing the customer's long-term satisfaction (Dorsch et al. 1998), mutual goals, the degree to which parties share goals that can only be achieved through joint action and the maintenance of the relationship (Wilson 1995), and relational net benefits, the parties' expected net benefits from a relationship (Dwyer et al. 1987).

In addition, the exploratory phase of the study, conducted from a dyadic perspective, lends credence from practitioners for the proposed conceptual development, and the integration of qualitative evidence and prior approaches provides strong support for the conceptualisation of B2B RQ and its determinants and dimensions from an interpersonal perspective. This corresponds to the accomplishment of the second research goal: to identify the relational determinants and dimensions of B2B RQ. The exploratory, qualitative component of this research was then complemented by a quantitative study in order to accomplish the third and main research objective - to develop a model of B2B RQ from an interpersonal approach. In effect, the three specific research goals work in unison in order to accomplish the overarching goal of this study, which

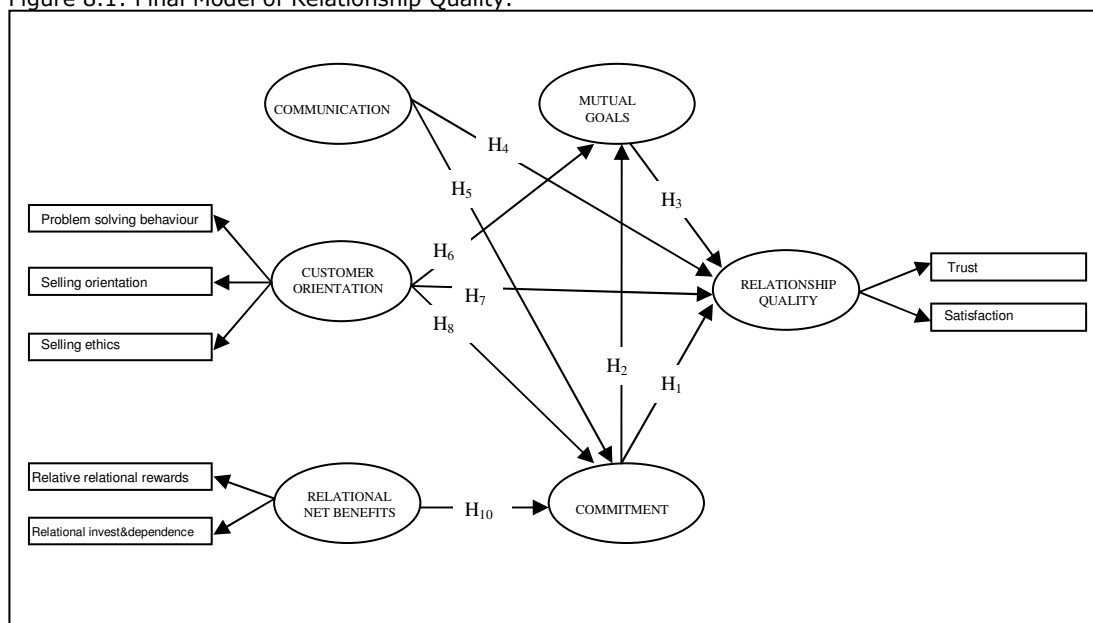
refers to identifying the nature, determinants, and dimensions of RQ, as mentioned. Indeed, the first two specific research goals, not only add value to the present study *per se*, but also contribute decisively to the process of accomplishing the general goal of this research. This process reaches its corollary through the accomplishment of the third specific research goal, which is the primary concern of the following section.

#### **8.4 The Relationship Quality Model**

Prior to discussing the results regarding the role of each of the determinants and dimensions of RQ, as well as their associations in the model, it is perhaps appropriate to review the conceptual framework that was the focus of this study. Turning to the schematic of proposed relationships and relevant hypotheses, reproduced in Figure 8.1 for the reader's convenience, we can see that the model includes customer orientation, commitment, and communication with both direct and indirect impacts on RQ, mutual goals as a direct determinant, and relational net benefits as an indirect determinant, corresponding to the supported hypotheses. This model extends existing models by introducing customer orientation as both direct and indirect determinant, and relational net benefits as an indirect determinant, while continuing to recognise the importance of commitment, communication (with both direct and indirect proposed impacts on RQ), and mutual goals as a direct determinant of RQ. The importance of commitment and mutual goals is also reflected by their role as mediators in the model. Commitment acts a mediator of the effects of the three exogenous variables (communication, customer orientation and relational benefits) on RQ, while the construct of mutual goals mediates the indirect impact of commitment on RQ.

Figure 8.1 also includes the dimensions of RQ (trust and satisfaction), the dimensions of customer orientation (problem solving behaviour, selling orientation, and selling ethics), as well as the dimensions of relational net benefits (relative relational rewards and relational investment and dependence). Findings highlighted the importance of both dimensions of RQ, trust and satisfaction. However, trust was the dominant dimension of RQ, which contributed to strengthen the pivotal role of trust in the model. Problem solving behaviour and selling orientation were the most important dimensions of customer orientation, leaving a slightly less important but still essential role to selling ethics, whereas the importance of both dimensions of relational net benefits revealed to be quite equitable between them.

Figure 8.1: Final Model of Relationship Quality.



As a rule, the variables proposed as key constructs in the model were valid determinants and dimensions of RQ. All but one of the major hypotheses were supported by the data. The exception was the link between relational net benefits and mutual goals ( $H_9$ ), which did not develop as the initial model hypothesised. A discussion of the results for each of the variables included as determinants and dimensions of RQ follows.

### 8.4.1 Determinants of Relationship Quality

#### 8.4.1.1 Customer Orientation

Customer orientation was defined in this study as the degree to which salespeople adopt behaviours aiming at increasing the customer's long-term satisfaction (Dorsch et al. 1998; Kelley 1992; Saxe and Weitz 1982). According to Berry and Parasuraman (1991), service providers should focus as much as possible on the customers' best interests, a claim that found support in the results regarding customer orientation, not least because this construct emerged as the strongest determinant of RQ. As hypothesised, when buyers perceived that their client managers were interested in their needs and acted accordingly, they attributed higher ratings to the quality of the relationship, in accordance with what had also emerged during the exploratory, qualitative phase of the present study. Moreover, the analysis carried out through structural equation modelling (SEM) indicated that customer orientation was the most important determinant of RQ, judging by the strength of path estimates, and the aggregate of both direct and indirect effects, which, in turn, were consistent with the scores regarding descriptive statistics, and corroborated via the rival models analysis.



These findings support prior research that suggests that customer orientation is frequently used as a key construct of RQ (Parsons 2002), while contributing to clarify the role of customer orientation as a determinant of RQ. The dual quality of customer orientation as both indirect and direct determinant of RQ is not only consistent with the results of the interview phase as well, but is in line with previous research. Indeed, as far as indirect links are concerned, previous research suggests associations between customer orientation and both commitment (Baker et al. 1999) and mutual goals (Hewett et al. 2002), which, in turn, are the two endogenous latent variables working in the model as determinants of RQ. Likewise, it is argued in the literature that customer orientation contributes to the relationship's maintenance and quality by influencing the level of buyer's satisfaction (Kelley 1992), and that buyers are more likely to trust sellers that are customer oriented (Swan et al. 1985). Since satisfaction and trust are the two dimensions of RQ, it appears that the direct influence of customer orientation on RQ is also a plausible one. These results suggest that customer orientation should be regarded as a building block of RQ, in addition to trust, commitment and satisfaction, the most frequently RQ building blocks mentioned in previous studies.

#### *8.4.1.2 Commitment*

The results of this study are consistent with the idea conveyed in the literature that commitment is considered a key element or a building block of RQ (Roberts et al. 2003). Commitment was defined in this research as the parties' firm and consistent desire and motivation to maintain a certain relationship (Dwyer et al. 1987; Fullerton 2003; Gundlach et al. 1995). In effect, as hypothesised, when buyers felt that sellers valued the relationship with them and showed a clear determination to maintain it, the perceived quality of the relationship was higher. Coherently, in terms of variable means and as a rule, client managers that had higher values for commitment also had higher values for the rest of the RQ key constructs, contrary to the (only one) client manager that had lower scores for commitment and, again, for the rest of the variables. This was also consistent with the SEM analysis, especially regarding the hypothesised direct link between commitment and RQ, which constituted the 'second best performance' as a RQ determinant, right after customer orientation. Although both qualitative and quantitative components of this study provided support for the indirect link between commitment and RQ - through mutual goals, in line with previous research (e.g. Anderson and Narus 1990; Parsons 2002) -, this impact revealed to be only residual, suggesting that the prime role of commitment seems to be as a direct determinant. However, some literature also indicates that

commitment has been used as a dimension of RQ as well. This possibility was analysed through the alternative models analysis, in which commitment was tested as a dimension of RQ. The alternative model including commitment as a dimension produced relatively acceptable results, which suggests that the possibility of commitment working as a dimension of RQ should remain open to debate and subjected to careful examination in future research. However, taking into consideration that the analysed rival models were rejected in favour of the model devised in this study, it is perceived that commitment is actually a determinant of RQ, or at least that, in the context of this study, modelling commitment as a determinant produces better results. This is consistent with the idea that the success of relationships depends on mutual commitment between buyer and seller (Berry and Parasuraman 1991). These results are also in line with the empirical qualitative data gathered and analysed in the interview phase and support prior research that suggests that commitment works as a precursor of the two dimensions of RQ, satisfaction (Molm 1991) and trust (Lawler and Yoon 1993).

#### *8.4.1.3 Mutual Goals*

Mutual goals was defined in this thesis as the degree to which parties share goals that can only be achieved through joint action and the maintenance of the relationship (McQuiston 2001; Wilson 1995). According to this study's results, the role of the construct of mutual goals was in line with what was hypothesised. As expected, buyers felt that when the degree to which parties share goals was high, the perceived quality of the relationship was also high. Moreover, results were also consistent with the idea that mutuality of goals is only possible to achieve through the adoption of co-operative efforts towards the maintenance of the relationship. This, in turn, is in line how mutual goals are characterised in the literature (McQuiston 2001; Weitz and Jap 1995; Wilson 1995), and with the opinions of the representatives of both corporate clients and hotels, gathered and analysed within the interview phase. Again, descriptive statistics and SEM analysis based on data that reflects the perceptions of firms' representatives corroborated these results. All relationship managers had relatively high means for mutual goals, again with the exception of client manager 3, who also performed relatively worse as far as the other RQ constructs are concerned, while the quantitative phase confirmed mutual goals as a direct determinant of RQ. These results are not only consistent with the patterns emerged from the qualitative analysis, but they support prior research that suggests that mutual goals influence RQ, namely due to their association with both dimensions of RQ, trust (Anderson and Weitz 1989) and satisfaction (Wilson 1995). Analogous to

commitment, the construct of mutual goals has been modelled in previous research as a dimension of RQ as well. Again, competing models including mutual goals as a dimension of RQ were compared to the model proposed in this study. Given not only that mutual goals, when included in the model as a dimension, revealed to be the weakest dimension of RQ, but also that the analysis led to the rejection of the rival models, it is perceived that the construct of mutual goals tends to work more effectively as a determinant of RQ.

#### *8.4.1.4 Communication*

Communication is considered one of the defining constructs in RM (Lindgreen and Crawford 1999) and a driver of RQ (Roberts et al. 2003). Communication was defined in this study as the client manager's ability to use unique combinations of code, content, and communication rules to communicate effectively (Williams and Spiro 1985). Consistently, and as expected, the higher the client manager's communication abilities were rated, the better the perceived quality of the relationship. Based on the combination of literature and qualitative empirical evidence that characterised the exploratory phase of this study, communication was modelled as having both direct and indirect – via commitment, in line with Anderson and Weitz (1992) – impacts on RQ. Both mean values and SEM analysis corroborated this trend. However, the latter analysis suggested a word of caution regarding the direct link between communication and RQ, given that it corresponds to a weak path estimate, below the threshold for a path to be considered practically meaningful. Nevertheless, this concern refers only to its direct association with RQ, given that the global impact on RQ is within acceptable thresholds. Therefore, overall, communication developed according to what was initially hypothesised: an indirect association via commitment, as already mentioned, and a direct link, also supporting previous claims that communication influences trust (Moorman et al. 1992; Morgan and Hunt 1994), which is one of the dimensions of RQ. Although the rival models analysis also corroborated the important role of communication, its weak direct association with RQ, suggested by the quantitative component of this study, warrants further investigation.

#### *8.4.1.5 Relational Net Benefits*

In accordance with the literature reviewed, combined with the themes emerged from the qualitative analysis, the construct of relational net benefits, defined as the parties' expected net benefits from a relationship (Dwyer et al. 1987), was initially modelled as an indirect determinant of RQ, through commitment and mutual goals, which, in turn, are two of the direct determinants of RQ. As

predicted, when buyers perceived that the balance between relational benefits and sacrifices was favourable, they attributed higher ratings to both commitment and mutual goals. As expected, SEM analysis corroborated the positive association between relational net benefits and commitment, in line with previous research (Morgan and Hunt 1994; Rusbult 1983). However, contrary to hypothesised, the direct association between relational net benefits and mutual goals was not confirmed by SEM analysis, in both the calibration and the cross-validation phases, with a rather weak and non-statistically significant path estimate, thereby failing to support what the literature combined with the qualitative study had suggested. Similarly to communication, the role of relational net benefits as a key construct should be further explored in future investigations.

### **8.4.2 Dimensions of Relationship Quality**

#### *8.4.2.1 Satisfaction and Trust*

As stated, RQ was modelled in this study as a higher-order construct comprising two dimensions, satisfaction and trust, in line with Crosby et al.'s (1990) people-based approach. Satisfaction was defined as the assurance, perceived by the buyer, regarding the client manager's 'future performance because the level of past performance has been consistently satisfactory' (Crosby et al. 1990, p.70), and trust was defined as the ability to rely on the salesperson's behaviour so that the expectations of the buyer will be met (Crosby et al. 1990). This view of RQ was consistent with the results of both the qualitative and the quantitative components of this investigation. However, during the quantitative phase, which included an assessment of alternative models, questions were raised in relation to the possibility of trust acting as an antecedent rather than a consequence of RQ. This was because the results of the competing model including trust as a determinant of RQ, although not as good as those of the model proposed in this study, could not be considered 'bad' as well. Although the possibility of trust assuming the role of antecedent deserves further attention, the fact that all rival models were rejected in favour of the model proposed in this study suggests that the primary role of trust is as a dimension of RQ. In addition, the role of trust as a dimension of RQ was successively corroborated by the various stages of this investigation. As detailed in Chapter 4, the exploratory, qualitative study combined literature with empirical evidence resulting from a series of in-depth interviews conducted from a dyadic approach, which examined the perceptions of key individuals of both corporate clients and hotels on the phenomena under investigation, that is, people-based relationships and RQ in an inter-

organisational context. More than ninety percent of the RQ previous studies reviewed included satisfaction and/or trust as dimensions, a trend that was corroborated by the patterns emerged from the qualitative analysis, and subsequently supported by the quantitative testing, in both calibration and validation phases. As described in Chapters 6 and 7, the calibration phase included an assessment of the measurement model, in which a combination of both exploratory and confirmatory approaches was used to submit each construct to dimensionality, reliability and validity (both convergent and discriminant) tests, as well as an estimation of the structural model. The structural model was then tested on the validation sample, constituting, at the same time, an assessment of nomological validity, with satisfactory results. In this context, it is believed that the foregoing process supports the decision of modelling RQ as a higher-order construct comprising satisfaction and trust as dimensions. This option is not only in line with Crosby et al. (1990), but also with a significant number of previous studies (Bejou et al. 1996; Boles et al. 2000; Lagace et al. 1991; Leuthesser 1997; Parsons 2002; Shamdasani and Balakrishnan 2000; Vieira 2001; Wong and Sohal 2002; Wray et al. 1994).

Overall, the results of the quantitative phase of the study, strengthened by a combination of calibration and cross-validation procedures, statistical control, analysis of statistical power, and comparison with rival models, as described in the two previous chapters, provided evidence that the model is correct for the population. All but one of the associations hypothesised were supported. Customer orientation, modelled as an exogenous construct, emerged as the most important determinant, with the strongest direct and indirect effects, not only on RQ, the central endogenous construct in the model, but also on the other endogenous latent variables, commitment and mutual goals. Commitment performs an important role as well, as both direct determinant of RQ and important mediator of the effects of the exogenous latent variables. The construct of mutual goals, in turn, also plays a relevant part, not only as a direct determinant of RQ, but also as a mediator of the impact of commitment on RQ. Although general support was found for the model, results also raised some questions about the role of some constructs. The competing models analysis, although demonstrating a better performance of the model proposed in this study, called the attention to the possibility of trust and commitment acting as both determinants and dimensions of RQ. This could be interpreted as a symptom of the pivotal role of these two constructs in RM in general, and RQ in particular. So much so that the possibility of including trust and/or commitment as either determinants or dimensions in RQ models, depending on the

characteristics of each research context, should not be completely ruled out, but rather considered in future investigations, given the predominant influence of these two building blocks of RQ. However, taking into account that the empirical components of this investigation, both qualitative and quantitative, were carried out in a B2B services market in which the relationship between the partners in the dyad is mainly based on person-to-person interactions, a research setting that provides one of the most suitable environments for RM and RQ (the result of RM efforts), it is perceived that there are strong reasons to believe that the constructs tend to work as depicted in the model proposed and tested in this study. It is, therefore, believed that, in a research context that respects the nature of RQ, trust acts as a (dominant) dimension of RQ, commitment works both as a (direct and indirect) determinant of RQ and as a mediator of the influence of all three exogenous variables (communication, customer orientation, and relational net benefits), customer orientation is the strongest (direct and indirect) determinant of RQ, and mutual goals an important (direct) determinant of RQ as well as a mediator of the effects of customer orientation and commitment on RQ.

Concerns were raised regarding two constructs: communication, namely due to its relatively weak direct association with RQ, and relational net benefits, especially regarding its association with mutual goals, both of which should be further investigated, ideally in different business settings. The amount of variance in the endogenous variables explained by the respective proposed determinants was quite respectable, although not precluding the possibility that other potential antecedents might exist, which could possibly improve the explanatory power of the model. This might have to do with the acknowledged complexity of the construct of central interest in the present study (Palmatier et al. 2006; Walter et al. 2003), and should be also investigated in future research.

Although social bonds and people-based RQ are viewed as indispensable to B2B relationships, prior research has provided little understanding of its influence (Bolton et al. 2003), and poor efforts have been made to train relationship managers in the management of interpersonal relationships (Haytko 2004). This investigation was conducted in a research context that corresponds to one of the best habitats for both RM and RQ (i.e., a B2B services marketing environment where the representatives of firms interact mainly on a person-to-person basis) and suggests important insights for both practitioners and researchers, as detailed in the next sections.

### 8.5 Theoretical Contributions

In terms of theoretical contributions, this study proposes a **stronger** conceptualisation of RQ, by employing an exploratory, dyadic approach to combine qualitative empirical evidence with literature in order to identify the nature of RQ and its determinants and dimensions from a people-based, inter-organisational perspective, as well their connections in the model. This corresponds to narrowing a gap in the literature, reflected by the fact that previous studies draw predominantly on buyer only perspectives, less frequently from the seller's view, and rarely both, a limitation that is probably related to the difficulty of collecting data from both sides of the dyad. In effect, the exploratory, qualitative phase of this research contributed to clarify the nature of people-based relationships and RQ in an inter-organisational context, not only from the perspective of the buyer side, but also from the viewpoint of the seller side. It is perceived that this 'two-way' perspective adds to this study's distinctiveness and strengthens its contribution. Indeed, it has been recognised by researchers in this area that the absence of an in depth investigation including both sides, for example to find out whether there are key contacts/privileged interlocutors for both parties, represents a limitation of their work on RQ (e.g. Rauyruen and Miller 2007). In this respect, the findings of this study's exploratory component suggested, for example, that representatives of hotels with designated client managers and their corporate clients were able to identify individuals that were key in the relationship (i.e., the client manager representing the hotel and his/her key contact in the corporate client) and vice-versa in hotels without designated client managers. Findings also suggested a high degree of congruence between the perceptions of both sides, which, in turn, corroborated the adopted dyadic approach employed in the exploratory, qualitative phase, and provided an indication of the type of population of interest for the main survey (i.e., corporate clients of hotels with designated client managers). In addition, it offered support for the chosen unit of analysis (i.e., the relationship between the representatives of the corporate client and the hotel, as perceived by the client), as well as for the correspondent quantitative approach on the corporate client only.

As stated, the above mentioned qualitative component of the present study allowed for a richer conceptualisation of RQ and its determinants, as well as a more informed development of the proposed model of RQ, which was subsequently tested from a quantitative approach. The quantitative component of this investigation also expanded the empirical research on RQ, by submitting its key constructs previously identified through a combination of literature with

qualitative empirical evidence to a rigorous, quantitative test in a context that respects the nature of RQ, in response to another gap in the literature. Indeed, previous research identified building blocks such as commitment, satisfaction and trust, however their connections in models lack consistency and an interpersonal approach, as the importance of social bonds requires. This study contributed to resolve this gap in the literature through the accomplishment of the main proposed research goal: to develop a RQ model from an interpersonal, inter-organisational perspective. It should be noted that this study's contributions, namely as far as the quantitative component is concerned, stem from a combination of characteristics that are seldom found in the literature. Indeed, taking advantage of a large number of responses collected for the main survey, the model was tested on two samples (which resulted from randomly splitting the full data set in half), a calibration sample and a validation sample, a procedure that was conducted from a competing models perspective, in contrast with the majority of previous studies on RQ. The relatively large sample and both calibration and validation phases, complemented with the evaluation of rival models are believed to have played a significant role in strengthening the quality of this study's results as well as both theoretical and managerial contributions.

The results obtained in this study were based on measures with good psychometric properties for all the constructs included in model, which were validated through a process that started with the qualitative phase of the study, in which the key constructs were identified through a combination of literature and qualitative empirical evidence, and continued with the assessment of the measurement model, which served for measure purification as well as for testing the constructs in terms of dimensionality, reliability and (convergent and discriminant) validity. Finally, the model was quantitatively tested through SEM, on both the calibration and the validation samples, as mentioned, a test that was complemented with statistical control, analysis of statistical power, and comparison with competing models. The majority of these measures were based on scales that had been used in previous investigations, with the exception of the items measuring mutual goals, which were developed by McQuiston (2001) but not empirically tested. McQuiston's (2001) scale was submitted to an empirically test in the present study, showing good reliability and validity performances, in line with the rest of the constructs. It is hoped that this could be useful for both researchers and practitioners in future works, since these measures were not only adapted for, but also tested in a context that it is believed to provide one of the best habitats for RM and RQ.



In addition, this study produced both theoretical and empirical support for the conceptualisation and operationalisation of RQ as a higher-order construct, in line with Crosby et al.'s (1990) seminal study, as well as for the connections of its determinants in the model. As mentioned, although this research represents a contribution to knowledge in a particular context, it is expected that these results will spark researchers interested in increasing the body of knowledge on RQ and that this model can be replicated and tested in other B2B service settings, namely characterised by maturity and intense competition, such as banking or insurance, where the representatives of firms play a crucial role in enhancing the quality of the relationships with business partners, or indeed in B2C contexts where interpersonal relationships are important (e.g. professional services).

Researchers have been focusing on key constructs such as commitment, satisfaction and trust, which have been modelled as mediators of relational outcomes (e.g. commitment and trust, Morgan and Hunt 1994) or RQ dimensions (e.g. satisfaction and trust, Crosby et al. 1990). As evidenced by the results provided in Chapter 7 (in particular sections 7.2 and 7.3), and the detailed description presented in the previous sections of this chapter, this study corroborates the importance of those key factors, contributes to the clarification of how RQ key determinants and dimensions interact within a model devised in one of the most suitable contexts for the study of RM and RQ, and draws the attention to another key construct, **customer orientation**, which exerts the strongest influence in the model as a determinant, with both direct and mediated effects on RQ. Indeed, the way the model is devised illustrates the importance of RQ key constructs and how they work together in order to promote commitment between partners and the will to work towards mutual goals, taking advantage of the relationship managers' customer orientation and communication skills, as well as a sense of the balance between relational benefits and sacrifices, thus enhancing the quality of the relationship, as reflected by the levels of trust and satisfaction. Also, consistent with the dominant trend in the literature, this study's contributions are mainly related to the external interaction environment, as illustrated by the majority of the of the RQ determinants included in the model. However, this research also contributes to build a bridge between the internal and the external components of the interaction environment, for example by suggesting customer orientation as an additional building block of RQ. Indeed, what happens in the front-office is to a great extent a reflexion of the quality of the relationships 'behind the curtain', that is, among the back-office people (e.g. co-workers, supervisors), as well as between the back-office

people and their internal customers, for example relationship managers, a special kind of contact personnel who are, not only the 'faces' of the organisation, but also able to establish the link between the internal and the external interaction environments, especially when 'armed' with a strong sense of customer orientation and communication skills. The better the quality of the relationships between the back-office people and relationship managers, the higher the level of the performance of relationship managers, e.g. in relation to the ability to satisfy clients (Sergeant and Frenkel 2000; Vieira 2005), and ultimately the better the quality of the (external) relationships, as implied above. While this rationale has long been accepted, namely within the service-profit chain (e.g. Heskett et al. 1994), the integration of both components of the interaction in a single model has not yet been achieved, and appears to be a long but vital campaign. By devising this model, this study constitutes a crucial first step also in this regard, although it is acknowledged that much more work needs to be done, as detailed later in the last section of this chapter. Indeed, both components of the interaction environment are inexorably linked to one another, they are the two faces of the same coin, as also evidenced by the fact that the managerial suggestions presented in the next section relate, not only to the external interaction, but also to the internal interaction environment.

### 8.6 Managerial Implications

This research suggests important insights for practitioners as well. By focusing on relational drivers of RQ, the present research also intends to respond to the insufficiency of both research and managerial practice on the interactive characteristic of RQ, i.e., buyer-seller interactions 'primarily in a person-to-person communication' (Gümmesson 1987, p.11). The constructs included in the model are viewed as a means, not only to prevent potential dangers of long-term partnerships, such as boredom, lack of new ideas (Moorman et al. 1992), or even opportunism temptations (Weiss and Anderson 1992), but primarily to foster the quality of relationships in any B2B services marketing environment where the representatives of firms interact mainly on a person-to-person basis (that is, one of the best habitats for both RM and RQ).

The emphasis on customer orientation calls the attention of managers for a managerial aspect, which is as much obvious and critical as often neglected: the need to work **alongside** clients, towards mutual beneficial relationships. Indeed, although the notion of customer orientation should be a minimum requirement in today's management, the reality shows that there is much work to do in this regard, as some authors alert (e.g. Donaldson et al. 2001). In order to build high

quality relationships, sellers should focus on what is most valuable to buyers, with the goal of increasing long-term customer satisfaction, as authors have been consistently claiming in previous studies (e.g. Berry and Parasuraman 1991; Dorsch et al. 1998; Saxe and Weitz 1982).

One of the implications for organisations is the importance of proper treatment of relationship managers, given the benefits of their presence as key contacts, at least in terms of relational outcomes. Indeed, the rich interpersonal interaction between client managers and their key contacts in firms is, not only in line the view of marketing as a continuous social and economic process in which value is co-created with the consumer (Tzokas and Saren 1997; Vargo and Lusch 2004), but also closely associated with the creation of unique and differential knowledge, which, in turn, represents a crucial contribution to the creation of competitive and differential advantage (Tzokas and Saren 2004). Careful selection, training, empowerment, motivation, and performance evaluation and compensation of personnel that are the 'face' of the organisation should be integrated in the design of firms' strategies, so that (**designated**) client managers can perform effectively, namely in what the relational determinants of RQ are concerned. To this end, the above described contribution to measurement is valuable, not only for researchers, but also for practitioners. Indeed, the construct's dimensions could work as an important basis for the development of **managerial guidelines** that could be useful for improving the performance of client managers and, as a consequence, enhancing the quality of the relationship with clients.

If the relational perspective of marketing implies that relationship managers evolve from a selling approach to a counselling approach as the literature suggests (Crosby 1989), from talking and pushing to listening and helping, as has also been suggested (e.g. Tzokas et al. 2001), then several additional implications arise. First and foremost, a relationship manager has to be someone who is perceived by buyers as being trustworthy, as evidenced by the fact that trust is the dominant dimension of RQ in this study. Indeed, by listening to what clients are saying and combining that with the results of this study, both qualitative and quantitative, we realise that trust plays a dominant role as far as good quality relationships are concerned. Recalling the words of one of the representatives of the corporate clients that participated in the interview phase: 'In any business, the most important asset is trust...'. This, in turn, draws the attention to issues that emphasise the critical need to optimise the combination of the external (setting the promise), internal (enabling the

promise) and interactive (delivering the promise) facets of services marketing. In effect, it has been shown that employees that are the 'face' of the organisation and establish the link between client and firm can be dangerously harmful to both parties if not managed appropriately (e.g. Crosby 1989). In this context, firms should be extremely careful in terms of whom to designate as client managers, as well as how to train, motivate and compensate this special kind of contact personnel or 'part-time' marketers. If satisfaction is an essential indicator of the quality of a relationship, trust is not only an essential but also a dominant element of RQ.

In addition, knowing that customer orientation comprises three dimensions - problem solving behaviour, selling orientation, and selling ethics - managers might be able to use these factors (and the items in the respective scales) as criteria precisely for the selection, training, empowerment, motivation, and performance evaluation and compensation of relationship/client managers. The construct of customer orientation provides some of the best illustrations of possibilities in terms of managerial guidelines, which also adds to its prominence in the model. To give but two examples, items COR9 (Our client manager tries to match the hotel's solutions to our problems) and COR20RC (Our client manager stretches the truth in describing a service to us) seem to have the potential to serve as a basis for selection, training, empowerment, motivation, performance evaluation and compensation criteria. They also seem to be able to help enhance the effectiveness of activities such as 'animation' (as described in Chapter 4), this way corresponding to the need for RM theories to be converted into useful, practical tools and guidelines, as urged in the literature (e.g. Sheth and Parvatiyar 2002).

Problem solving behaviour, selling orientation, and selling ethics, regardless of their relative importance as dimensions of customer orientation, will most certainly play an essential role in instilling commitment and the will to work towards mutual goals, as well as enhancing trust and satisfaction. The same would apply to the rest of the RQ relational drivers included in the model devised in this study. Indeed, it seems advisable and it could be useful if client managers were aware of the balance between relational rewards and sacrifices perceived by their counterparts in firms, as well as the relational investments made in the relationship by their clients, represented by the two dimensions of relational net benefits (relative relational rewards and relational investment and dependence, respectively). As stated, communication is a critical factor in developing good quality relationships. The construct of communication used in this study could

work as a reference as far as the client manager's communication abilities are concerned. In sum, by looking at the connections in the model, in addition to the constructs themselves, it is possible to apprehend how the above mentioned components may help client managers to enhance their customer orientation, to inspire commitment in their clients and to promote goal congruity, thereby concurring to enhance the quality of the relationships with their partners, which is reflected by the levels of trust and satisfaction. This also implies that the role of relationship manager is complex and requires very specialised abilities, knowledge, and training, which are not compatible with a mere selling approach, but rather require a global and strategic managerial approach.

Due to the above mentioned specific and specialised boundary-spanning role, relationship managers are a vital link between the firm and its business partners. As detailed earlier in this thesis, interpersonal relationships and social bonds between key boundary-spanning individuals play a major role in shaping the business relationship and driving the processes and outcomes of the inter-firm interaction. In general, they contribute to the governance of business relationships by complementing the boundaries established by legal documents, adding social utility to economic utility, and reducing both economic and social uncertainty, working for the benefit of all parties involved in a relationship. Examples of benefits for the buyer range from a higher opportunity for customisation and, thus, for better satisfaction of needs and preferences, to a greater effectiveness in decision making, and the reduction of the perceived risks related to future purchases. Relationships also provide safety to the customer. With time and with the development of the relationship, parties build a mutual trust atmosphere, while at the same time the buyer lies on a consistent level of service offered by the service provider. The benefits for the seller are significant as well. The longer the relationship, the higher the potential for performance maximisation. The rationale behind this assumption is that with an improvement in satisfaction, the customer will increase the number of purchases, and the more the repeat business, the more the buyer progresses in the experience curve, becoming more effective, consequently bringing less costs and more profits. In addition, the more the customer is pleased with its relationship, the greater will be the likelihood of recommending its service provider to other potential customers. What is more, social bonds between relationship managers and clients' representatives can be a powerful tool to augment the core product/service and its influence in building inter-organisational relationships can be stronger than that of structural bonds and economic resources. Sometimes social bonds work as a mechanism for compensating deficiencies in other levels,

e.g. complaints on the price or technical level. The development of person-to-person interactions emerges, therefore, as a significant value driver, by improving problem solving behaviour and communication, as well as contributing to a better understanding of each party's goals. Furthermore, the quality of an interaction can be based on non-economic satisfaction, that is, parties forming a certain dyad can regard a relationship as fulfilling and rewarding, even when it does not yield financial profit.

Taking into account that the product/service offered by companies in a given business and segment can be the same, differentiation is exerted through the development of long-term good quality relationships with clients, able to resist changes in the competitive environment, for example, via technology or price. If the delivery of high quality goods and services is just a minimum requirement for competitiveness rather than being the source of superior performance, then it is the quality of the relationship with partners that seems to be able to provide a basis for competitive advantage and business success. If, in addition, as previous research also suggests, service quality does not appear to have a significant impact on purchase intentions, satisfaction is not enough to retain clients, and the key factor for future interaction between buyers and sellers is RQ, then relationship managers should be regarded as a major asset in any organisation that views its network of relationships as a source of competitive advantage and as critical as its physical evidences or capital.

The above described scenario represents, therefore, a vital contribution to the successful implementation of a RM strategy, in which firms adjust their organisational cultures towards an emphasis on relationship managers instead of salespeople. This, in turn, constitutes an essential input to the management and optimisation of the external, internal, and interactive facets of services marketing, in which the maintenance of a dynamic and permanently updated understanding of buyer expectations plays a pivotal role.

### **8.7 Limitations and Suggestions for Future Research**

The findings of this investigation must be viewed with some limitations in mind, which, at the same time, may open the door to important opportunities for future investigations. While a single organisation study, at a single point in time, may provide a richer knowledge of the phenomena under analysis, and the chosen research setting matches the characteristics of an appropriate habitat for RM and RQ, further validations in different settings are suggested for future investigations. This could be helpful, for example to assess the context

dependence of the RQ construct, as well as the relative poor performance of constructs like communication (only regarding its direct association with RQ, given that the global impact on RQ is within acceptable thresholds), and relational net benefits. Moreover, although the results of this investigation were obtained in a context that respects the nature of RQ and are supported by literature and empirical evidence, both qualitative and quantitative, the issue of causality should be viewed with a degree of caution, due to the cross-sectional nature of the study. In effect, the quantitative analysis, namely the component regarding the assessment of alternative models, though offering further support to the model proposed in this study, also suggested that the constructs of trust and commitment might have the potential to act as both determinants and dimensions. These findings also reflect the prominence of trust and commitment as building blocks of RM and RQ and concur with the idea that dynamic realities, as marketing relationships are, call for dynamic approaches, as RQ models should be, suggesting that an assessment of the model in different contexts and, ideally, from a longitudinal perspective, represents a crucial avenue for future research.

This study, especially in its exploratory, qualitative, and dyadic component, underlined the importance of social bonds established between designated client managers and their key contacts in firms, which seem to promote contractual bonds and have a positive impact on perceived RQ, likelihood of recommendation and expectation of future contact. If social bonds can be a means to foster repeat business and loyalty, then they could influence overall profitability. However, as mentioned, since hotels were used to gain access to corporate clients, there might exist some bias inherent to the sampling process. This too constitutes an opportunity for future research. If client managers and the quality of their relationships with clients can make a difference in terms of business and the overall performance of the organisation, as also suggested in the qualitative component of this study, and if the risk of losing corporate clients due to the loss of client managers does not seem to constitute a serious threat, as the descriptive statistics suggest, then the designation of relationship managers would assume a crucial importance, and there could be a strong case for organisations without designated relationship managers to seriously reconsider. Given the speculative nature of these comments, because they are based on a combination of literature with qualitative empirical evidence, but lack quantitative empirical scrutiny, it is suggested that the evaluation (both qualitative and quantitative) of the differences between organisations with

designated client managers vs. organisations without designated client managers should be also included in future investigations.

Moreover, while the present study employed a dyadic approach in the qualitative phase, and, consistent with the unit of analysis, a buyer's perspective in the quantitative phase, much could be gained by using a dyadic approach in a quantitative assessment as well. Another interesting opportunity for research would be to investigate RQ in the broader network of relationships in which buyer-seller interactions are embedded in, bearing in mind, in addition, that contributions to enhance RQ may come, not only from the external interaction environment, but also from the internal interaction environment (e.g. co-workers support, supervisors support, etc.).

In addition, if RQ is crucial for each of the dyads composing a network of relationships, then the challenge seems to be to figure out how to maximise the number of dyads characterised by good quality relationships, or, in other words, to extrapolate RQ at the level of each dyad to the level of the whole network. Moreover, previous research did not assess empirically RQ at different levels simultaneously, and this is a theme that should be addressed in future investigations too. In this respect, the present study is a starting point, by addressing the social level, due to its prevalence, adopting an approach in line with previous suggestions that research in the area of RM should begin with a small number of fundamental issues and then move on to integrate these into broader conceptions (Bagozzi 1995; Price and Arnould 1999). In effect, the model devised in this research, which is confined to antecedents and dimensions of RQ and to those variables relevant to confirm the suggested hypotheses, explained a considerable, but not all, variance of RQ. The portions of the variance that remain unexplained also constitute an opportunity for future research as well. Examples of variables that could contribute to improve the explanatory power of the model can be inferred from the opinions of the participants in the interview phase. For example, as detailed in Chapter 4, the word 'contract' is frequently associated with the opinions of the representatives of the corporate clients, and, since one of the goals of 'animation' refers to the proactive attitude on the part of client managers to increase the utilisation of their hotels by clients, it is probably reasonable to expect that the existence of a signed contract would exert some kind of effect on the quality of the relationship between both parties. Another example is conflict, a variable also included in the literature on modelling RQ (e.g. Roberts et al. 2003), which seems to find echo



in the opinions of the actors of the business, as reflected by the following quotation:

'... every time we try to make a complaint or explain our points of view on some disagreement, he starts being aggressive and not interested in listening to what we have to say' (corporate client C6. OBS: This quote was not included in the qualitative analysis).

Still referring to some of the opinions gathered through the interview phase, the following quotation seems to imply that environmental uncertainty, a concept also include in previous research on RQ (Kumar et al. 1995) could potentially play a role in a RQ model. Talking about the likelihood of future interaction with the hotel services provider, the client said:

'...well... you know... the way things are nowadays... you never know... if things continue to work well for our business we are certainly going to continue to use their services... but if things get complicated... it might be complicated to maintain our current spending on their services...' (corporate client C8. OBS: This quote was also not included in the qualitative analysis).

Other potential determinants of RQ which were not found to be important in this study, but warrant further investigation, include (see Chapter 7, section 7.2.1): length of the relationship with the hotel, length of the relationship with the client manager, and size of corporate client, the latter being potentially able to work as a basis for the assessment of the issues relating to power imbalance.

Finally, although, as explained earlier, the scope of the present research is confined to RQ and its determinants and dimensions, future investigations should also explore the consequences of RQ, that is, to study the potential associations between RQ and other outcomes reflecting organisational performance (e.g. client share, likelihood of future interaction, and, ultimately, profitability). This limitation is due to the unavoidable trade-off between controlling for organisational factors vs. looking at performance. This is particularly problematic in relation to the final link to financial performance, which is probably why this link has been very rarely assessed in previous studies, for example related to Heskett et al.'s (1994) service-profit chain. Looking at a single organisation has its merits, not only because it allows for a richer knowledge of the phenomena under analysis, as mentioned, but also regarding the referred control for organisational factors. In single organisation studies, client satisfaction can be used as a proxy for performance but it is difficult to link individual client satisfaction to overall organisational performance. Thus, a longitudinal approach to collecting and analysing data on the link between RQ and performance, as well as for comparing various organisations, is deemed indispensable and also suggested for future investigations.

Despite the above mentioned limitations, it is believed that this study extended the knowledge on the nature of RQ and its determinants and dimensions. Indeed, this investigation responds to the need of research resulting from the increasing recognition of the critical role of person-to-person relationships in B2B exchange environments, on the part of both researchers and practitioners. In effect, managers and scholars are increasingly re-acknowledging the importance of close relationships with business partners, in an attempt to 'be at the right place at the right time with the right customer contact and right knowledge', and try to mitigate the 'fake' commitment on the part of the seller and the 'fake' loyalty on the part of the buyer, originated by a period of time characterised by a focus on more 'impersonal' relationships, based on technological advances. This led to an insufficient importance attributed to the fact that the source of competitive advantage is closely related to the quality of long-term relationships between partners. Bearing this in mind, some of the characteristics of the present research are perceived as critical to its distinctiveness as well as to strengthen its contribution to both theory and practice in the area of RM in general and RQ in particular. Given the diversity found in the literature on modelling RQ, particularly in terms of its determinants and dimensions and their connections in models, this investigation examined RQ in the context of B2B relationships characterised by person-to-person interactions between the representatives of both firms in the dyad. This research setting is believed to provide one of the best habitats for RM and RQ. In addition, the RQ model proposed in this study was developed using both literature and the results of an exploratory, qualitative study conducted from a dyadic approach, and subsequently tested on a relatively large sample, which allowed for a calibration-validation approach, complemented with an assessment of alternative models, a combination of components that is seldom found in previous studies. It is, therefore, perceived that the RQ model developed in this study can be effective in any B2B service relationship in which business interactions occur mainly through person-to-person contact between firms' representatives. In this context, it is hoped that the results of this study constitute a motivation for researchers and practitioners to continue with their efforts regarding the development of inter-organisational relationships from an interpersonal approach. Although it is recognised that there is much more work that needs to be done, this study is viewed as a crucial step in a long campaign. To offer more or less intricate relational programs or schemes without an understanding of what RQ is and is not might be counterproductive.

## APPENDIX 1 - CORPORATE CLIENT'S INTERVIEW GUIDE

- 1 . What hotel services are considered the most important to your company?
2. What aspects does your company value the most in a hotel in order to stimulate i) loyalty; ii) repeat business; iii) good word-of-mouth?

*Prompt:* «Now (...) product and service quality are the minimum competitive requirements, and the quality of the relationship with the customer is the proper measure of success.» (Peppers and Rogers, 1995, p. 49). How do you react to this idea?

3. What are the differences between a relationship with a signed contract and a relationship without a signed contract? Does your company have a signed contract with a hotel?

4. What relational factors would you value the most in a relationship in order to consider it as a good quality relationship?

*Prompts:* communication, trust, cost/benefit ratio, satisfaction, mutual goals, commitment, relationship managers' ability to satisfy clients (these concepts would be briefly explained by the interviewer)

5. Think of the hotel your company uses the most. How does the relationship work?

*Prompts:*

Out of the total amount of spending in hotel services, what is the percentage of spending of your company in this hotel?

Is there any kind of participation of your company in the design of this hotel services?

Is there a key contact/privileged interlocutor in each of the parties (company and hotel)?

Are there links between the hotel resources and activities and the company's resources and activities?

How frequent are the purchases of your company in this hotel?

What is the percentage of repeat business of your company in this hotel, comparing to the previous year?

How would you classify the quality of relationship with this hotel? (1- weak; ... ; 7 - excellent)

Would you recommend this hotel to other companies? (1 - not at all; ... ; 7 - strongly)

How long do you think the relationship of your company with this hotel is going to last? (1 - very shortly; ... ; 7 - endlessly)

How are complaints treated? Do client managers have the competency to solve problems in the 'moments of truth'?

6. Other aspects considered of importance in what long-term relationships between hotels and corporate clients...

## APPENDIX 2 - CLIENT MANAGER'S INTERVIEW GUIDE

1. What are the key determinants of success of your business?
2. What are the functions performed by Account/Client/Relationship Managers?
3. How is market segmentation done and what are its advantages?
4. What type of services corporate clients use the most?
5. How does the hotel do to maximise profits?

*Prompt:* In your opinion, is it more effective to maximise profits through the acquisition of new clients or through the retention of existing ones?

6. How does the hotel do to retain clients?

*Prompts:*

Corporate clients are the most suitable segment for a strategy of maximising profits through the retention of clients. How do you react to this idea?

To sign contracts with corporate clients is a main goal for the hotel?

What is the percentage of corporate clients with a signed contract?

What are the differences between a relationship with a signed contract and a relationship without a signed contract?

7. How frequent are the purchases of corporate clients?
8. Are there ways of knowing what is the retention rate (the percentage of clients repeating business from a period to the next)?
9. In your opinion, what aspects corporate clients value the most in order to stimulate i) loyalty; ii) repeat business; iii) good word-of-mouth?

*Prompt:* «Now (...) product and service quality are the minimum competitive requirements, and the quality of the relationship with the customer is the proper measure of success.» (Peppers and Rogers, 1995, p. 49). How do you react to this idea?

10. Are there ways of identifying the potentially most profitable clients?
11. Is there at the hotel a data base with the guests' wants/preferences/profile? If yes, is there the practice of introducing that kind of information in the data base in each 'moment of truth'?
12. How are complaints treated? Do client managers have the competency to solve problems in the 'moments of truth'?
13. In your opinion, what relational factors clients value the most in a relationship in order to consider it as a good quality relationship?

*Prompts:* communication, trust, cost/benefit ratio, satisfaction, mutual goals, commitment, relationship managers' ability to satisfy clients (these concepts would be briefly explained by the interviewer)

14. Think of a particular corporate client. How does the relationship work?

*Prompts:*

Is there any kind of participation of the clients in the design of services they are using?

Is there a key contact/privileged interlocutor in each of the parties (company and hotel)?

Are there links between the hotel resources and activities and the clients' resources and activities?

15. Other aspects considered of importance in what long-term relationships between hotels and corporate clients...

### APPENDIX 3 - THE NATURE OF PEOPLE-BASED INTER-ORGANISATIONAL RELATIONSHIPS

Exploring Dyads: 7 Questions and Answers	Hotels with Corporate Centers (1, 2, 3) and their Clients (A, B, C)									Hotels with Client Managers (4, 5) and Clients (A, B, C)						Hotels without Client Managers (6, 7, 8) and Clients (A, B, C)								
Is there a privileged interlocutor/key contact in each side?	1: yes			2: yes			3: yes			4: yes			5: yes			6: yes			7: no			8: no		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	yes	yes		yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	no	no	no	no	no	no	no	no	no
What is the importance and priority of signing contracts?	1: high			2: high			3: high			4: high			5: high			6: high			7: low			8: mod		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	high		high	high	high	high	high	high	high	high	high	high	high	high	high	mod	low	low	mod	low	low	high	mod
Are there links between activities and resources of hotel and client?	1: yes			2: yes			3: yes			4: yes			5: yes			6: yes			7: no			8: no		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	yes	no		yes	no	no	no	yes	yes	no	no	yes	no	no	yes	no	no	no	no	no	no	no	no	no
Are complaints managed satisfactorily?	1: yes			2: yes			3: yes			4: yes			5: yes			6: yes			7: yes			8: yes		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	yes	yes		yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	no	yes	yes	yes	no	yes	yes
How is the quality of the relationship with the hotel (1weak-excellent7)?	1			2			3			4			5			6			7			8		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	6	7		7	7	7	6	7	6	7	6	6	6	6	7	7	6	4	6	4	6	6	7	5
Would you recommend this hotel to other firms (1not at all-7strongly)?	1			2			3			4			5			6			7			8		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	7	7		7	6	7	7	7	7	7	7	6	7	7	7	5	6	4	5	4	5	5	4	4
How long do you think the relationship will last (1very shortly-7endlessly)?	1			2			3			4			5			6			7			8		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	-	5		6	4	5	6	-	-	6	-	5	4	-	-	4	-	-	-	-	4	-	5	-

## APPENDIX 4 - PERCEIVED IMPORTANCE OF RELATIONSHIP QUALITY KEY CONSTRUCTS

Importance of RQ Determinants	Hotels with Corporate Centers (1, 2, 3) and their Clients (A, B, C)									Hotels with Client Managers (4, 5) and their Clients (A, B, C)						Hotels without Client Managers (6, 7, 8) and their Clients (A, B, C)								
Trust (dimension)	1: high			2: high			3: high			4: high			5: high			6: high			7: high			8: high		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	high		high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high
Satisfaction (dimension)	1: high			2: high			3: high			4: high			5: high			6: high			7: high			8: high		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	high		high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high
Commitment (determinant)	1: high			2: high			3: high			4: high			5: high			6: high			7: high			8: high		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	high		high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high
Mutual Goals (determinant)	1: high			2: high			3: high			4: high			5: high			6: high			7: high			8: mod		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	high		high	high	high	high	high	high	high	high	high	high	high	high	high	mod	low	low	high	mod	high	mod	high
Communication (determinant)	1: high			2: high			3: high			4: high			5: high			6: high			7: high			8: mod		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	high		high	high	high	high	high	high	high	high	high	high	high	high	high	mod	high	mod	low	high	high	high	high
Relational Net Benefits (determinant)	1: mod			2: high			3: high			4: high			5: high			6: high			7: low			8: mod		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	mod		high	high	high	high	high	high	high	high	mod	high	high	high	mod	mod	high	high	mod	high	high	mod	high
Customer Orientation (determinant)	1: high			2: high			3: high			4: high			5: high			6: mod			7: high			8: mod		
	A1	B1		A2	B2	C2	A3	B3	C3	A4	B4	C4	A5	B5	C5	A6	B6	C6	A7	B7	C7	A8	B8	C8
	high	high		high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high	high

## APPENDIX 5 - SUMMARY OF FORMATION OF CODES

### Notes:

- For the sake of data reduction and reader's convenience, along with reasons pertaining to thesis organisation, empirical materials were summarised and collapsed into appendices 3 and 4. The present appendix covers in more detail the identification, conceptualisation, and potential associations with other constructs, in relation to main effects;
- As far as hotels (1 to 5) and their corresponding corporate clients (A1, B1, and A2, B2, C3 to A5, B5, C5) are concerned, the collected empirical evidence is ordered, as much as possible, according to dyads;
- Each quotation is identified with the label attributed to representatives of both hotels and corporate clients (e.g., 3 for the representative of hotel 3, A3 for the representative of corporate client A3 forming a dyad with hotel 3, etc).

### Category: Proposed Main Effects

#### .Themes

##### ***Commitment***

'...we like to feel that our account manager in the hotel is really interested in solving our problems, that she shows that our partnership is important for them, that she makes everything possible to improve our partnership...' [B4]

'we don't take our clients for granted; we show them day by day that they can count on us' [4]

'we like her both as a professional and as a person, she knows how to maintain a nice mood between us, she makes us feel important, and we do our best to correspond' [A3]

'...everyday I ensure that my clients know that I'm always there for them, whatever the kind of help they need from me...' [3]

'we know her for such a long time now, that, even when things don't go as we wished, we know how to tolerate each other and move on...' [C3]

##### ***Satisfaction***

'we intend to use their services as long as they keep their good level of service' [C2]

'we know that we cannot keep a client by just being friends with each other; if our service is not professional and effective we'll lose the client' [2]

'we fell very reassured in relation to our account manager, because she knows how to do things right. I don't recall any situation in which she didn't correspond to our needs, contrary to other



situations that I've had with other hotels, which we didn't like at all, because when things go wrong you tend to avoid the contact with that person...' [B3]

'I know that my clients are always analysing every little detail in me. They like me because they like the way I treat them... my clients are used to a certain level of excellence in my performance, and I do everything possible not to let them down. For instance, I try to do everything for my clients but I never compromise myself with things I know I'm not going to be able to do for them, because, the minute I fail, I'm going to ruin an image that took me so much time and effort to build' [3]

'I feel happy when I feel that we've made a good deal and everybody is happy...' [A1]

'...we are a bit disappointed with this hotel, we're a bit unhappy with their performance in some occasions, so we don't expect much from them now...' [A7]

### **Trust**

'if our interlocutor in negotiations isn't able to gain our trust, it's very unlikely that we get to the point of signing contracts...' [A1]

'if you're not able to conquer the client's trust, you're not even going to get them to listen to you, let alone to close any deal whatsoever with them...' [1]

'In any business, the most important asset is trust, not financial power, status, quality awards, or any other kind of supposed competitive advantage...' [B3]

'clients don't know my organisation, they know me; they don't talk to the hotel chain, they talk to me. I represent the hotel... the hotel chain is too abstract for them, so, for the client, I am the hotel. So, how can you talk business with somebody you don't trust? I wouldn't. So if I want my clients to talk to me, first I have to deserve their trust...' [3]

'... you cannot trust somebody who has failed to keep his promises, can you? I'm not saying that we won't do any more business with them, but we're certainly going to be a bit more cautious' [B7]

'...I can understand that they are under pressure because of their commercial goals, but if we are to continue to do business with the hotel, they have to be completely honest with us.' [A6]

### **Mutual Goals**

'things work well between us because we both now that this is business and we have to deliver - it's as simple as that. We're both businesswomen, we work in different sectors but the way to do business is the same...' [B5]

'we think the same way about business' [5]

'...the ideal situation is when they help us delivering the service... that they are using! ...and this is just an example of the atmosphere of mutual success that we proactively try to create between our clients and us. Another example is when we arrange meetings with our clients with the specific purpose of knowing what we expect of each other, or, if you will, to set commercial objectives.

Clients seem to value this and, at the end of the day, if you get what you agreed, everybody is satisfied' [5]

'If a good business is a good business when it is a good business for everybody, then a good partnership is a good partnership only when it is a good partnership for everybody. In my opinion, that's the kind of partnership we have with them' [B1]

'we work together towards a win-win result' [1]

'we feel that they take our interests into account and try to match their interests with ours when making decisions'[C4]

'we need to know that on the other side they understand our points of view and are willing to bring together the points of view both sides, that they do their business and we do our business as well' [C4]

'we like to think of our clients not as clients but as business partners...' [4]

### **Communication**

'...each time they come to visit us (...) we tend to increase our utilisation of their hotels' [C3]

'if they have everything but don't have the ability to communicate with us, in a sympathetic manner, I don't think they'll be successful with us or any other client' [C3]

'[to communicate is to] know where they are and try and maintain communication all the time (...), the special attention, the 'spoiling' (...), to maintain a pleasant communication for them to know that they can count on us...' [3]

'we like to be considered both as business partners and as persons (...) I am not a number, we're not robots, so I expect everybody to talk to me as friendly and respectfully as I talk to everybody' [B1]

'an account manager with no communications skills is in the wrong business (...) even if he's a genius (...) in the hotel business or whatever business... it just doesn't work, if you don't know how to deal with people...' [1]

'the way you say things is as important as what you say' [B5]

'we must show the clients that we're there for them, that they can count on us, and that we do it with enthusiasm.' [5]

'sometimes we can't do exactly what they want, we have to say 'no', but still we have to maintain a nice and professional tone when we say 'no'... clients are clever and respect somebody who knows how to say 'no' without damaging the level of dialogue' [2]

### **Customer Orientation**

'... [client managers should] ask us what we want first, and then talk about selling her services, not the other way around...' [C5]

'...[client managers should] explain in detail how our services suit the client's needs' [5]

'think also about our needs when they think about the accomplishment of the hotel's objectives (...) and not just their own...' [C4]

'... [as a client manager I should] put myself in my client's shoes' [4]

'... we don't need a 'yes man', we need someone who informs us correctly about the pros and cons of each situation' [B1]

'He's only interest in selling, selling as much as he can – he's not interested in talking business, just selling...' [B7]

'with him it's like this: if we're not careful, we end up contracting more services and spending more money than we should – he's a very aggressive salesman.' [C6]

### ***Relational Net Benefits***

'as long as we're happy with the relationship with them, we'll not use other hotels' [B1]

'The hotel industry is a personality business, and when you deal with people, you always have to consider the giving and the taking, just like in your personal relationships' [1]

'Sometimes we know that they are not the cheapest, but we don't mind to pay a bit more because we like them' [B2]

'if we maintain a close interaction with the client (...) it's very rare that a client complains about the price' [2]

'We must feel that we are getting a satisfactory feedback to our efforts in doing business with them...' [C4]

## **. Potential associations between constructs**

### ***Relationship Quality Dimensions***

#### *Trust*

'...the level of trust between us says a lot about whether or not things are working well between us...'. [C3]

'The kind of ambience that exists in the relationship between my clients and myself is reflected in the degree to which we trust one another...' [3]

'first of all, hotel managers have to demonstrate that they deserve my trust...' [B2]

'...first we have to conquer the client's trust' [2]

'we cannot talk business with someone we don't trust, can we?' [A4]

'If my clients believe in my work and trust my word, that is, if they like me, they will use the hotels recommended by me...' [4]

#### *Satisfaction*

'I see the level of my clients' satisfaction as a barometer that tells me all the time about how healthy our relationship is developing and whether or not I am doing things the right way.' [1]

'of course we like her, but one of the reasons we like her is because of her good level of service, not just because we like her as a person...' [B5]

'... at the end of the day, everything we do is to keep the client satisfied, isn't it?' [5]

'we'll stay with them as long as they keep their good level of performance' [C2]

'My clients are used to a certain level of service, so I work everyday to live up to their expectations, so I always do my best to maintain my good level of performance' [2]

'...we find our account manager very professional and nice (...), so we're satisfied with our relationship with them...' [C3]

'...we get to know each other and sometimes there's a feeling of friendship or so, but always maintaining the professional level...' [3]

#### ***Commitment and Relationship Quality and Mutual Goals***

'...there are situations where, if we feel that the client manager is really willing to work together with us, we tend to be more flexible and try to make our proposals compatible with their proposals...' [A1]

'the more the dedication towards the partnership, the sooner we find common grounds to do business...' [1]

'...they haven't shown any efforts to improve our business relationship and to work for a good deal for both companies, they don't show any interest at all, they just want us to sign the contract at any cost. If they don't change their attitude, it's very unlikely that we end up stretching our flexibility to the point of signing the contract' [B8]

#### ***Mutual Goals and Relationship Quality***

'sometimes it's not easy to reach an agreement, but when we do, we feel okay, we feel it was worth the effort, because we are happy with the result of negotiations...' [C5]

'... although we aren't that much empowered by our administration, we can always use a degree of flexibility in order for both parties to be satisfied after closing the deal' [5]

'if we are to sign a contract, we have to sit down and talk first. As soon as both parties are convinced that that's the best deal possible for both firms, then we sign the contract' [C4]

'of course we try to persuade our clients that our offer is the best, but we don't want to push negotiations so hard that it could seem like we were trying to take advantage of them; rather we use some flexibility – the bottom line is that we don't want to lose our best clients' [4]

### ***Communication and Commitment and Relationship Quality***

'...the more we appreciate our account manager's communication skills, the more we feel motivated to strive for the success of the relationship...' [B4]

'...we try to create an interpersonal interaction as good as possible, hoping to strengthen the interpersonal bonding as much as possible...' [4]

'...when we sense that there is a friendly and open communication between us, we feel kind of obliged to contribute to maintain the best relationship possible...' [A3]

'we search for empathy between the two parties, behaviour breeds behaviour...' [3]

### ***Customer Orientation and Commitment and Mutual Goals and Relationship Quality***

'...what we have with our account manager is informative dialogue, rather than any kind of pressure from either side – that's what we expect from him... had he taken the wrong attitude, and I guess our motivation to do business with them would disappear' [B1]

'We can't force clients to do business with us. What we can do is to show them what's in it for them...' [1]

'if we are to commit ourselves to the relationship and do our best to improve it, we must at the same time feel that on the other side there is somebody who understands our needs' [A3]

'...clients like to feel that when they pose a question we are really concerned about it and (...) make our best efforts to solve the problem' [3]

'...that there's (...) someone on the other side of the phone (...) for them to turn to in case some doubt comes up' [3]

'things only work well when they take our interests into consideration, not just their own. That's why we always take the first step and show them that we consider their interests as well...' [A5]

'I've been in this business long enough to learn the strategy to make them happy, while simultaneously realising my commercial objectives. It's this simple: first I get them to talk to me, what do they really want, what can I do to give them what they want, then I take a look at my 'tool box' – meaning, the array of services we offer – and I decide what's best for everybody, hoping that they'll agree with me. This technique rarely fails, even if it takes some negotiation here and there...' [5]

### ***Relational Net Benefits and Commitment and Mutual Goals***

'Sometimes we feel that we invested so much in working with a certain hotel group, that we feel we can't afford not to be flexible and make all efforts possible to bring together both sides' expectations...' [C5]

'...the more we are aware of the benefits we can expect from working with a certain client, the more we are willing to understand the other side and their perspectives on doing business with us, as long as they make an effort to understand ours...' [5]

'sometimes when we feel that we could gain from having a contract with a certain hotel, we don't mind being flexible in turning our business objectives more compatible with the hotel's business objectives...' [B4]

'the more we expect to gain from engaging in a partnership, the more the effort we put in that partnership, the more the motivation to stick to that partner...' [B2]

'...when we spot a good prospect, I mean, a potentially profitable client, we use as much resources - be it people, time, etc., you name it - as we can for the relationship to work, and make everything possible to maintain and improve it...' [2]

## APPENDIX 6 – ENGLISH AND PORTUGUESE VERSIONS OF QUESTIONNAIRE AND COVER LETTER

Dear Sir/Madam,

This survey is part of a doctoral research project essentially aiming at studying the relationships between hotels and corporate clients. As a client of [Hotel Group B], your company belongs to the universe of this study. **The attached questionnaire is addressed to the key contact of your client manager/commercial promoter at [Hotel Group B].** We would very much appreciate if you would be so kind as to spare 15 minutes of your time to fill it out. Without your co-operation, it is not possible to complete the study.

Important information:

- You can send your completed questionnaire either using the enclosed prepaid envelope or by FAX (234 370 215 );
- **There are no right or wrong answers.** All the answers are correct, as long as they correspond to what you really feel;
- Answers are **confidential** and anonymous, for research purposes only;
- If you are interested in receiving a report on the findings of this study, please e-mail us ([avieira@egi.ua.pt](mailto:avieira@egi.ua.pt)).

Please return the completed questionnaire at your earliest convenience, if possible within one week, in order for us to accomplish the planned research agenda.

Best regards and thank you very much for your co-operation.

---

Armando Luis Vieira

Lecturer at Universidade de Aveiro

Researcher at Nottingham University Business School



The University of  
Nottingham



Universidade de Aveiro

**A** Please tell us about your perceptions re the interaction with your client manager,  
by ticking where appropriate in the scales provided for each sentence.

Strongly  
Disagree

Strongly  
Agree

**COR1**

.Our client manager helps us achieve our goals..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR2**

.Our client manager tries to achieve his/her goals by satisfying us..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR3**

.Our client manager has our best interest in mind..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR4**

.Our client manager tries to get us to discuss our needs with him/her..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR5**

.Our client manager tries to influence by information rather than by pressure..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR6**

.Our client manager recommends suitable solutions for us..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR7**

.Our client manager tries to find best services for us..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR8**

.Our client manager answers our questions correctly..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR9**

.Our client manager tries to match the hotel's solutions to our problems..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR10**

.Our client manager is willing to disagree with us in order to help us make a better decision..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR11**

.Our client manager tries to give us an accurate expectation of what the product will do for us ..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR12**

.Our client manager tries to figure out our needs..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR13 reverse coded**

.Our client manager tries to sell us all (s)he convinces us to buy, even if we think it is more than a wise customer would buy..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR14 reverse coded**

.Our client manager tries to sell as much as (s)he can rather than to satisfy us..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR15 reverse coded**

.Our client manager keeps alert for weaknesses on a person's personality so (s)he can use them to put pressure on us to buy..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR16 reverse coded**

.Our client manager, if (s)he is not sure a service is right for us, will still apply pressure to get us to buy..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR17 reverse coded**

.Our client manager decides what services to offer on the basis of what (s)he can convince us to buy, not on the basis of what will satisfy us..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR18 reverse coded**

.Our client manager paints too rosy a picture of his/her services, to make them sound as good as possible..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR19 reverse coded**

.Our client manager spends more time trying to persuade us to buy than trying to discover our needs..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR20 reverse coded**

.Our client manager stretches the truth in describing a service to us..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR21 reverse coded**

.Our client manager pretends to agree with us to please us..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7

**COR22 reverse coded**

.Our client manager implies to us that something is beyond his/her control when it is not ..... ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7



	Strongly Disagree						Strongly Agree
<b>COR23 reverse coded</b>							
.Our client manager begins the sales talk for a service before exploring our needs.....	1	2	3	4	5	6	7
<b>COR24 reverse coded</b>							
.Our client manager treats us as rivals.....	1	2	3	4	5	6	7
<b>COM1</b>							
.Our client manager genuinely enjoys helping us.....	1	2	3	4	5	6	7
<b>COM2</b>							
.Our client manager is easy to communicate with.....	1	2	3	4	5	6	7
<b>COM3</b>							
.Our client manager likes to help clients.....	1	2	3	4	5	6	7
<b>COM4</b>							
.Our client manager is a cooperative person.....	1	2	3	4	5	6	7
<b>COM5</b>							
.Our client manager tries to establish a personal relationship.....	1	2	3	4	5	6	7
<b>COM6</b>							
.Our client manager seems interested in us not only as a clients, but also as persons.....	1	2	3	4	5	6	7
<b>COM7</b>							
.Our client manager is friendly.....	1	2	3	4	5	6	7

**B** Please tell us about your perceptions on the relationship with your client manager

	Strongly Disagree						Strongly Agree
<b>MG1</b>							
.We share a joint vision with our client manager of what is necessary for mutual success.....	1	2	3	4	5	6	7
<b>MG2</b>							
.We have a set of formal criteria that we use to evaluate a prospective partner.....	1	2	3	4	5	6	7
<b>MG3</b>							
.We know with certainty what our client manager expects of us.....	1	2	3	4	5	6	7
<b>MG4</b>							
.We work proactively with our client manager to establish annual goals.....	1	2	3	4	5	6	7
<b>MG5</b>							
.We can state with certainty that our client manager has the same basic beliefs about running a business that we do.....	1	2	3	4	5	6	7
<b>MG6</b>							
.Overall, our goals are compatible with the goals of our client manager.....	1	2	3	4	5	6	7
<b>COMMIT1</b>							
.Even if it were to our advantage, we do not feel it would be right to leave our client manager now.....	1	2	3	4	5	6	7
<b>COMMIT2</b>							
.This client manager deserves our loyalty.....	1	2	3	4	5	6	7
<b>COMMIT3</b>							
.We would feel guilty if we left our client manager now.....	1	2	3	4	5	6	7
<b>COMMIT4</b>							
.We would not leave this client manager right now because we have a sense of obligation to him.....	1	2	3	4	5	6	7
<b>COMMIT5 reverse coded</b>							
.We do not feel 'emotionally attached' to our client manager.....	1	2	3	4	5	6	7
<b>COMMIT6 reverse coded</b>							
.We do not feel like 'part of the family' with our client manager.....	1	2	3	4	5	6	7
<b>COMMIT7 reverse coded</b>							
.We do not feel a strong sense of 'belonging' to our client manager.....	1	2	3	4	5	6	7

**C** Please tell us about the relationship with your client manager, taking into consideration the history of the relationship up to the present day.

Strongly Disagree                      Strongly Agree

**RQt1**

.Our client manager can be relied upon to keep his/her promises ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt2 reverse coded**

.There are times when we find our client manager to be a bit insincere..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt3 reverse coded**

.We find it necessary to be cautious in dealing with our client manager..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQs1**

.We are satisfied with the performance of our client manager ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt4**

.Our client manager is trustworthy ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt5 reverse coded**

.Our client manager is trying to sell us a lot of services and we are trying to avoid it..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt7 reverse coded**

.Our client manager is capable of bending the facts to create the impression he/she wants ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQs2**

.We are pleased with the performance of our client manager ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt6**

.Our client manager puts our interests before his/her own ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt8 reverse coded**

.Our client manager is dishonest ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQt9 reverse coded**

.We suspect that our client manager has sometimes withheld certain pieces of information that might have affected my decision-making ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RQs3**

.We have a favourable opinion on our client manager's performance..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**D** Please can you tell us about the pros and cons of participating in this relationship, in terms of relational benefits and sacrifices (not economical or others).

Strongly Disagree                      Strongly Agree

**RNB1**

.This relationship is extremely rewarding..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB2**

.In terms of rewards, this relationship is close to our ideal..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB3 reverse coded**

.This relationship is extremely costly ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB5 reverse coded**

.In general, our alternatives to this relationship are extremely appealing..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB6 reverse coded**

.All things considered, our alternative relationships are much better than this relationship ..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB7**

.All things considered, there are many benefits associated with this relationship that we would lose if the relationship were to end..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB4**

.In terms of sacrifices, this relationship is close to our ideal..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB8**

.In general, we have invested a great deal in this relationship..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB9**

.We like this partner very much..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB10**

.We have high consideration for this partner..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

**RNB11**

.We are extremely satisfied with this relationship..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7

Strongly  
DisagreeStrongly  
Agree**RNB12 reverse coded**.It is extremely likely that we will end this relationship in the near future..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**RNB14**.An alternative relationship would have to be extremely attractive  
for us to adopt it and end this relationship..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**RNB15**.We are extremely 'attached' to our partner in this relationship..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**RNB16**.We are extremely committed to this relationship..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**RNB13**.We would like this relationship to last for a lifetime..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**COMMIT8**.It would be very hard to end this relationship right now, even if we wanted to..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**COMMIT9**.Too much of our business would be disrupted if we decided we  
wanted to end this relationship now..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**COMMIT10**.We feel that we have too few options to consider ending this relationship..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**RNB17**.Overall, the benefits of this relationship outweigh the costs..... ☐1 ☐2 ☐3 ☐4 ☐5 ☐6 ☐7**E Additional Information**

Activity\_\_\_\_\_ CAE\_\_\_\_\_ N. of Employees\_\_\_\_\_

When did the relationship with this hotel (chain) start?\_\_\_\_\_

When did the relationship with this client manager start?\_\_\_\_\_

Could you briefly describe how this relationship has changed over time?

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How frequent are your face-to-face meetings with you client manager?\_\_\_\_\_

Out of all the hotel services your company uses, what percentage is represented by this  
hotel (chain)?\_\_\_\_\_ Do you have a signed contract with this hotel (chain)?\_\_\_\_\_Other observations you would like to make regarding the quality of the relationship with this  
hotel (chain)\_\_\_\_\_

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**THANK YOU VERY MUCH FOR YOUR CO-OPERATION!**

Exmo(a). Senhor(a),

Este inquérito integra-se num doutoramento que visa basicamente estudar a qualidade das relações entre hotéis e clientes empresa. A V/ empresa, como cliente do Grupo Hotti-Hotéis, pertence ao universo deste estudo. **O questionário em anexo dirige-se à pessoa que, na V/ organização, é o interlocutor privilegiado do(a) V/ Gestor(a) de Cliente/Promotor(a) Comercial na Hotti-Hotéis.** Ficaríamos muito gratos se despendesse 15 minutos do seu tempo para preenchê-lo. Sem a V/ cooperação o estudo não pode ser realizado.

Informação importante:

- Pode enviar o questionário preenchido utilizando o envelope de porte pago em anexo ou via FAX (234 370 215);
- **Não existem respostas certas ou erradas.** Todas as respostas são correctas, desde que correspondam à sua verdadeira percepção;
- Todos os dados são **confidenciais** - nenhuma informação individual será revelada;
- Se pretender receber os resultados do estudo, por favor informe-nos por correio electrónico ([avieira@egi.ua.pt](mailto:avieira@egi.ua.pt)).

Ficaríamos muito gratos se nos pudesse devolver o questionário com a brevidade, se possível dentro da próxima semana, no sentido de podermos cumprir o plano da investigação.

Melhores cumprimentos e muito obrigado pela V/ cooperação,

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Armando Luís Vieira

Docente da Universidade de Aveiro

Investigador da Nottingham University Business School



The University of  
Nottingham



Universidade de Aveiro

<b>A</b> Por favor descreva-nos as suas percepções sobre a interacção com o(a) vosso(a) Gestor(a) de Cliente/ /Promotor(a) Comercial assinalando com um 'X' na quadrícula correspondente	Discordo Totalmente							Concordo Totalmente						
	1	2	3	4	5	6	7	1	2	3	4	5	6	7
.O(A) nosso(a) gestor(a) de cliente ajuda-nos a atingirmos os nossos objectivos.....	1	2	3	4	5	6	7							
.O(A) n/ gestor(a) de cliente tenta atingir os seus objectivos satisfazendo-nos ao mesmo tempo...	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tem em mente os nossos melhores interesses.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta levar-nos a discutir as nossas necessidades com ele/ela...	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta influenciar-nos através de informação em vez de pressão.	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente recomenda soluções adequadas para nós.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta encontrar os melhores serviços para nós.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta responder correctamente às nossas questões.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta adequar as soluções do hotel aos nossos problemas.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente está disposto a discordar connosco se isso nos ajudar a tomarmos a melhor decisão.....	1	2	3	4	5	6	7							
.O(A) n/ gestor(a) de cliente tenta dar uma perspectiva clara sobre o serviço que proporciona .....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta compreender as nossas necessidades.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta vender-nos tudo o que nos convence a comprar, mesmo que isso seja mais do que um cliente sensato compraria.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta vender-nos o mais que puder em vez de nos satisfazer....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente está sempre à espreita de fraquezas na personalidade de uma pessoa para aproveitar para colocar pressão para uma pessoa comprar.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente insistirá em vender-nos um serviço mesmo que não esteja seguro(a) de que é o adequado para nós.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente decide os serviços a oferecer com base no que pode convencer-nos a comprar e não no que nos satisfaz.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente tenta fazer os serviços que oferece parecerem o melhores do que realmente são.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente passa mais tempo a tentar persuadir-nos a comprar do que a tentar descobrir as nossas necessidades.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente vai para além da verdade ao descrever-nos um serviço.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente finge concordar connosco para nos agradar.....	1	2	3	4	5	6	7							
.O(A) nosso(a) gestor(a) de cliente diz-nos que algo está fora do seu controlo quando não está .....	1	2	3	4	5	6	7							

	Discordo Totalmente							Concordo Totalmente
.O(A) n/ gestor(a) de cliente começa o discurso de venda antes de saber as nossas necessidades....	1	2	3	4	5	6	7	
.O(A) nosso(a) gestor(a) de cliente trata-nos como rivais.....	1	2	3	4	5	6	7	
.O(A) nosso(a) gestor(a) de cliente gosta genuinamente de nos ajudar.....	1	2	3	4	5	6	7	
.É fácil comunicar com o(a) nosso(a) gestor(a) de cliente.....	1	2	3	4	5	6	7	
.O(A) nosso(a) gestor(a) de cliente gosta de ajudar os clientes.....	1	2	3	4	5	6	7	
.O(A) nosso(a) gestor(a) de cliente é uma pessoa cooperante.....	1	2	3	4	5	6	7	
.O(A) nosso(a) gestor(a) de cliente tenta estabelecer uma relação pessoal.....	1	2	3	4	5	6	7	
.O(A) nosso(a) gestor(a) de cliente parece interessado em nós, não apenas como clientes mas também como pessoas.....	1	2	3	4	5	6	7	
.O(A) nosso(a) gestor(a) de cliente é amigável.....	1	2	3	4	5	6	7	

**B** Por favor descreva as suas percepções sobre a relação com o(a) V/ Gestor(a) de Cliente/Promotor(a) Comercial

	Discordo Totalmente							Concordo Totalmente
.Partilhamos uma visão conjunta com o(a) nosso(a) gestor(a) de cliente acerca do que é necessário para o sucesso mútuo.....	1	2	3	4	5	6	7	
.Temos um conjunto de critérios formais para avaliar um parceiro potencial.....	1	2	3	4	5	6	7	
.Estamos seguros acerca do que o(a) nosso(a) gestor(a) de cliente espera de nós.....	1	2	3	4	5	6	7	
.Trabalhamos proactivamente com o(a) nosso(a) gestor(a) de cliente no estabelecimento de objectivos anuais.....	1	2	3	4	5	6	7	
.Podemos dizer com certeza que o(a) nosso(a) gestor(a) de cliente tem princípios fundamentais sobre como gerir um negócio que são similares aos nossos.....	1	2	3	4	5	6	7	
.Globalmente, os nossos objectivos são compatíveis c/ os do(a) nosso(a) gestor(a) de cliente.....	1	2	3	4	5	6	7	
.Mesmo que fosse para nosso proveito, não nos parece que seria correcto deixar o(a) nosso(a) gestor(a) de cliente agora.....	1	2	3	4	5	6	7	
.Este(a) gestor(a) de cliente merece a nossa lealdade.....	1	2	3	4	5	6	7	
.Sentir-nos-ia-mos culpados se deixássemos o(a) nosso(a) gestor(a) de cliente agora.....	1	2	3	4	5	6	7	
.Não deixaríamos este(a) gestor(a) de cliente agora porque nos sentimos obrigados para com ele...	1	2	3	4	5	6	7	
.Não nos sentimos 'emocionalmente ligados' ao(à) nosso(a) gestor(a) de cliente.....	1	2	3	4	5	6	7	
.Não nos sentimos 'parte da família' em relação ao(à) nosso(a) gestor(a) de cliente.....	1	2	3	4	5	6	7	
.Não temos um forte sentimento de 'pertença' em relação ao(à) nosso(a) gestor(a) de cliente.....	1	2	3	4	5	6	7	

**C** Por favor, diga-nos das suas percepções sobre a relação com o(a) V/ Gestor(a) de Cliente/Promotor(a) Comercial tendo em consideração o historial da relação até ao presente

	Discordo Totalmente	Concordo Totalmente
.O(A) nosso(a) gestor(a) de cliente é fiável em relação ao cumprimento das suas promessas.....	1 2 3 4 5 6 7	
.Às vezes achamos que o(a) nosso(a) gestor(a) de cliente um bocado falso(a).....	1 2 3 4 5 6 7	
.Achamos que é necessário usar de precaução ao lidar com o(a) nosso(a) gestor(a) de cliente.....	1 2 3 4 5 6 7	
.Estamos satisfeitos com o desempenho do(a) nosso(a) gestor(a) de cliente.....	1 2 3 4 5 6 7	
.O(A) nosso(a) gestor(a) de cliente é de confiança.....	1 2 3 4 5 6 7	
.O(A) nosso(a) gestor(a) de cliente tenta vender-nos muitos serviços e nós tentamos evitar isso....	1 2 3 4 5 6 7	
.O(A) n/ gestor(a) de cliente é capaz de distorcer os factos para criar a impressão que pretende.....	1 2 3 4 5 6 7	
.Estamos agradados com o desempenho do(a) nosso(a) gestor(a) de cliente.....	1 2 3 4 5 6 7	
.O(A) nosso(a) gestor(a) de cliente coloca os nossos interesses à frente dos seus próprios interesses	1 2 3 4 5 6 7	
.O(A) nosso(a) gestor(a) de cliente é desonesto.....	1 2 3 4 5 6 7	
.Suspeitamos que o(a) nosso(a) gestor(a) de cliente por vezes sonegou certas informações que poderão ter influenciado o nosso processo de decisão.....	1 2 3 4 5 6 7	
.Temos uma opinião favorável sobre o desempenho do(a) nosso(a) gestor(a) de cliente.....	1 2 3 4 5 6 7	

**D** Por favor pronuncie-se sobre os prós e os contras de participar nesta relação, em termos de benefícios vs sacrifícios relacionais (que não económicos ou outros)

	Discordo Totalmente	Concordo Totalmente
.Esta relação é extremamente compensadora.....	1 2 3 4 5 6 7	
.Em termos de recompensas, esta relação é quase ideal.....	1 2 3 4 5 6 7	
.Esta relação é muito custosa.....	1 2 3 4 5 6 7	
.Globalmente, as nossas alternativas a esta relação são extremamente apelativas.....	1 2 3 4 5 6 7	
.Considerados todos os factores, as nossas alternativas são muito melhores do que esta relação ....	1 2 3 4 5 6 7	
.Considerados todos os factores, existem muitos benefícios associados a esta relação que perderíamos, caso esta relação terminasse.....	1 2 3 4 5 6 7	
.Em termos de sacrifícios, esta relação é quase ideal.....	1 2 3 4 5 6 7	
.Em geral, investimos consideravelmente nesta relação.....	1 2 3 4 5 6 7	
.Gostamos muito deste parceiro.....	1 2 3 4 5 6 7	
.Temos muita consideração por este parceiro.....	1 2 3 4 5 6 7	
.Estamos muito satisfeitos com esta relação.....	1 2 3 4 5 6 7	

	Discordo Totalmente	Concordo Totalmente
.É altamente provável que terminemos esta relação num futuro próximo.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.Uma relação alternativa teria de ser muito atractiva para que nós a adoptássemos e acabássemos com esta relação.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.Estamos muito 'ligados' ao nosso parceiro nesta relação.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.Estamos muito empenhados nesta relação.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.Gostaríamos que esta relação durasse para sempre.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.Seria muito difícil acabar esta relação agora, mesmo que quiséssemos.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.A nossa actividade seria demasiado perturbada se decidíssemos acabar esta relação agora.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.Parece-nos que temos demasiado poucas opções para pensar em terminar esta relação.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7
.Globalmente, os benefícios desta relação mais que compensam os sacrifícios.....	1 2 3 4 5 6 7	1 2 3 4 5 6 7

### **E** Informação Adicional

Actividade Económica \_\_\_\_\_ CAE \_\_\_\_\_ N° de funcionários \_\_\_\_\_

Quando se iniciou a relação com esta cadeia de hotéis? \_\_\_\_\_

Quando se iniciou a relação com este(a) Gestor(a) de Cliente/Promotor(a) Comercial? \_\_\_\_\_

Por favor descreva-nos sucintamente como esta relação se modificou através dos tempos

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Qual a frequência dos V/ contactos cara-a-cara com o(a) V/ Gestor(a) de Cliente/Promotor(a) Comercial? \_\_\_\_\_

De todos os serviços hoteleiros que a vossa empresa consome, qual a percentagem desse consumo que é efectuado nesta cadeia hoteleira? \_\_\_\_\_ Têm um contrato assinado com esta cadeia hoteleira? \_\_\_\_\_

Outras observações que gostariam de fazer acerca da qualidade da vossa relação com esta cadeia hoteleira

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**MUITO OBRIGADO PELA VOSSA COLABORAÇÃO!**



## APPENDIX 7: CORRELATION/COVARIANCE MATRICES (UPPER/LOWER DIAGONALS, RESPECTIVELY), MEANS, AND STANDARD DEVIATIONS FOR VARIABLES REPRESENTING MAIN EFFECTS AND CONTROL VARIABLES

### APPENDIX 7A: CORRELATION/COVARIANCE MATRIX FOR CALIBRATION SAMPLE

	Mean	Std Dev.	Nempl	HrelLeng	CMrelLen	ContFreq	CliShare	Contract	COM	MG	COMMIT	RQS	RQT	PSB	SO	SE	RRR	RID
Nempl	108.95	202.88	1	,078	,061	,166(**)	,041	,118(**)	-,009	,093(*)	,015	,152(**)	,082	,092(*)	,110(*)	,096(*)	,050	,067
HrelLeng	5.52	2.39	37.77	1	,514(**)	,125(**)	,037	,123(**)	,022	,043	,112(*)	,027	-,009	,047	,089	,003	,069	,063
CMrelLen	3.43	2.19	27.32	2.69	1	,060	-,002	,066	-,063	-,078	,007	,188(**)	-,004	-,050	-,096(*)	-,114(*)	-,108(*)	-,044
ContFreq	4.5	4.73	165.76	1.21	0.26	1	,383(**)	,290(**)	,043	,017	-,008	,015	,014	-,027	,016	,043	,059	-,016
CliShare	44.7	28.6	237.85	2.51	-0.10	54.68	1	,471(**)	-,031	,025	,045	,065	,027	-,024	,007	,049	,098(*)	,051
Contract	,62	,49	11.69	0.14	0.07	0.64	6.55	1	-,038	-,020	-,002	,055	,029	-,008	-,016	,085	,017	,052
COM	5.28	1.09	-1.96	0.06	-0.15	0.12	-0.98	-0.02	1	,406(**)	,421(**)	,247(**)	,476(**)	,325(**)	,313(**)	,290(**)	,243(**)	,246(**)
MG	5.13	,99	18.64	0.10	-0.17	0.06	0.70	-0.01	0.44	1	,476(**)	,311(**)	,523(**)	,354(**)	,320(**)	,298(**)	,296(**)	,293(**)
COMMIT	5.48	,97	2.99	0.26	0.01	0.09	1.26	0.00	0.45	0.46	1	,309(**)	,525(**)	,382(**)	,359(**)	,264(**)	,474(**)	,395(**)
RQS	4.99	1.05	32.41	0.07	0.43	0.07	1.95	0.03	0.28	0.32	0.32	1	,498(**)	,279(**)	,234(**)	,209(**)	,141(**)	,234(**)
RQT	5.53	1.02	16.64	-0.02	-0.01	0.02	0.78	0.01	0.52	0.52	0.51	0.52	1	,408(**)	,352(**)	,332(**)	,282(**)	,317(**)
PSB	5.34	,75	13.92	0.08	-0.08	-0.06	-0.51	0.00	0.27	0.26	0.28	0.22	0.31	1	,569(**)	,453(**)	,247(**)	,250(**)
SO	5.33	,83	18.61	0.18	-0.18	0.13	0.16	-0.01	0.29	0.26	0.29	0.20	0.29	0.36	1	,461(**)	,257(**)	,267(**)
SE	5.16	,86	16.80	0.01	-0.21	0.24	1.22	0.04	0.27	0.25	0.22	0.19	0.29	0.29	0.33	1	,247(**)	,197(**)
RRR	5.01	1.12	11.40	0.18	-0.26	0.34	3.13	0.01	0.30	0.33	0.51	0.17	0.31	0.21	0.24	0.24	1	,614(**)
RID	5.03	1.21	16.55	0.18	-0.12	-0.10	1.75	0.03	0.32	0.35	0.46	0.30	0.38	0.23	0.27	0.20	0.83	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

**APPENDIX 7 (CONTINUED): CORRELATION/COVARIANCE MATRICES (UPPER/LOWER DIAGONALS, RESPECTIVELY), MEANS, AND STANDARD DEVIATIONS FOR VARIABLES REPRESENTING MAIN EFFECTS AND CONTROL VARIABLES**

**APPENDIX 7B: CORRELATION/COVARIANCE MATRIX FOR VALIDATION SAMPLE**

	Mean	Std Dev.	Nempl	HrelLeng	CMrelLen	ContFreq	CliShare	Contract	COM	MG	COMMIT	RQS	RQT	PSB	SO	SE	RRR	RID
Nempl	89.28	162.28	1	,154(**)	,020	,326(**)	,094(*)	,124(**)	,001	,126(**)	-,022	,142(**)	,051	,077	,029	,028	,089	,100(*)
HrelLeng	5.58	2.12	53.02	1	,392(**)	,106(*)	,025	,036	,056	,062	,108(*)	,009	,021	,066	-,005	,075	-,046	,000
CMrelLen	3.13	2.16	7.00	1.79	1	-,084	-,068	-,029	-,013	-,020	,002	,152(**)	,048	-,046	-,056	-,007	-,073	-,050
ContFreq	2.51	2.60	137.21	,58	-0.47	1	,347(**)	,268(**)	,028	,095(*)	-,024	,028	,036	,056	,079	,030	,072	,109(*)
CliShare	45.49	26.22	399.08	1.36	-3.87	23.61	1	132(**)	,010	,042	,072	-,061	-,023	,037	,042	-,012	,028	,088
Contract	,59	,49	9.90	0.04	-0.03	0.34	1.70	1	,030	,050	-,033	-,034	-,034	-,004	,075	,037	,062	,067
COM	5.24	1.01	0.135	0.12	-0.03	0.08	0.27	0.02	1	,222(**)	,380(**)	,195(**)	,367(**)	,256(**)	,223(**)	,280(**)	,183(**)	,126(**)
MG	5.17	,92	18.91	0.12	-0.04	0.23	1.01	0.02	0.21	1	,340(**)	,347(**)	,392(**)	,318(**)	,290(**)	,248(**)	,192(**)	,194(**)
COMMIT	5.52	,92	-3.23	0.21	0.00	-0.06	1.74	-0.02	0.35	0.29	1	,272(**)	,513(**)	,297(**)	,342(**)	,229(**)	,251(**)	,269(**)
RQS	5.05	1.01	23.37	0.02	0.33	0.08	-1.63	-0.02	0.20	0.32	0.25	1	,534(**)	,213(**)	,236(**)	,218(**)	,234(**)	,239(**)
RQT	5.59	,95	7.83	0.04	0.10	0.09	-0.56	-0.02	0.35	0.34	0.45	0.51	1	,384(**)	,344(**)	,299(**)	,259(**)	212(**)
PSB	5.39	,75	9.27	0.10	-0.08	0.11	0.72	0.00	0.19	0.22	0.20	0.16	0.27	1	,514(**)	,429(**)	,177(**)	,250(**)
SO	5.36	,85	3.92	-0.01	-0.10	0.17	0.93	0.03	0.19	0.23	0.27	0.20	0.28	0.32	1	,465(**)	,188(**)	,222(**)
SE	5.24	,91	4.14	0.14	-0.01	0.07	-0.29	0.02	0.26	0.21	0.19	0.20	0.26	0.29	0.36	1	,176(**)	,153(**)
RRR	5.07	1.14	16.38	-0.11	-0.18	0.21	0.82	0.04	0.21	0.20	0.26	0.27	0.28	0.15	0.18	0.18	1	,608(**)
RID	5.09	1.19	19.20	0.00	-0.13	0.33	2.73	0.04	0.15	0.21	0.29	0.29	0.24	0.22	0.22	0.17	0.82	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

## APPENDIX 8: CONTROL VARIABLES ANALYSIS

Each of the endogenous latent variables was regressed on each of the control variables. The only regression models in which the signs of betas were as expected (i.e. positive) and statistically significant at the level of .05 or below were the following (see also Table 1 in this appendix):

- The single dimension of mutual goals (MG) on size of corporate client (Nempl): Adj.  $R^2 = .007$ , std.  $\beta = .093$ , significance level .043;
- The single dimension of commitment (COMMIT) on relationship length with hotel (HrelLeng): Adj.  $R^2 = .011$ , std.  $\beta = .112$ , significance level .014;
- Satisfaction (RQS), one of the two dimensions of RQ, on relationship length with client manager (CMrelLen): Adj.  $R^2 = .033$ , std.  $\beta = .188$ , significance level .000;
- RQS on Nempl: Adj.  $R^2 = .021$ , std.  $\beta = .152$ , significance level .001;
- Relative relational rewards (RRR), one of the three dimensions of relational net benefits, on Nempl: Adj.  $R^2 = .006$ , std.  $\beta = .089$ , significance level .054;
- Relational investment and dependence (RID), one of the three dimensions of relational net benefits, on Nempl: Adj.  $R^2 = .008$ , std.  $\beta = .100$ , significance level .030; and
- RID, one of the three dimensions of relational net benefits, on contact intensity (ContFreq): Adj.  $R^2 = .010$ , std.  $\beta = .109$ , significance level .018.

Multiple regressions for each latent variable including simultaneously the 5 control variables as independent variables were also conducted (see Table 2 in this appendix). Results seem to reinforce the above mentioned statistically significant associations between endogenous latent variables and controls (with the exception of the multiple regression with commitment as the criterion, which, despite the significant parameter estimate for HrelLeng, was a non-significant model), and disconfirm the statistically significant associations between exogenous latent variables and control variables that had been suggested in simple regressions. Again, all the tests revealed low values for both  $R^2$  and parameter estimates. Results also revealed another statistically significant and positive association that was not present in simple regression tests: MG with HrelLeng, also with low  $R^2$  and parameter estimate.

Finally, independent sample t-tests were conducted to find out whether having or not a signed contract influences - or, in other words, is related to - any of the latent variables. The null hypothesis is that there is no difference between the means of the two groups and the alternative hypothesis is that the means are not equal. Results indicate that, in all cases, we cannot reject the null hypothesis (all significance levels well above .05), suggesting that none of the dimensions of the latent variables representing the main effects in the proposed model varies across 'contract'.

Table 1: Simple regression results for control variables (shaded cells represent parameter estimates at least significant at a  $p < .05$  level).

Dependent variables	Predictor variables	Adj. R <sup>2</sup>	Std. $\beta$
MG (single dimension of mutual goals)	HrelLeng	.000	.043
	CMrellen	.004	-.078
	ContFreq	-.002	.017
	CliShare	-.002	.025
	Nempl	.007	.093
COMMIT (single dimension of commitment)	HrelLeng	.011	.112
	CMrellen	-.002	.007
	ContFreq	-.002	-.008
	CliShare	.000	.045
	Nempl	-.002	.015
RQS (satisfaction - dimension of relationship quality)	HrelLeng	-.001	.027
	CMrellen	.033	.188
	ContFreq	-.002	.015
	CliShare	.002	.065
	Nempl	.021	.152
RQT (trust - dimension of relationship quality)	HrelLeng	-.002	-.009
	CMrellen	-.002	-.004
	ContFreq	-.002	.014
	CliShare	-.001	.027
	Nempl	.005	.082
PSB (problem solving behaviour - dimension of customer orientation)	HrelLeng	.002	.066
	CMrellen	.000	-.046
	ContFreq	.001	.056
	CliShare	-.001	.037
	Nempl	.004	.077
SO (selling orientation - dimension of customer orientation)	HrelLeng	-.002	-.005
	CMrellen	.001	-.056
	ContFreq	.004	.079
	CliShare	.000	.042
	Nempl	-.001	.029
SE (selling ethics - dimension of customer orientation)	HrelLeng	.003	.075
	CMrellen	-.002	-.007
	ContFreq	-.001	.030
	CliShare	-.002	-.012
	Nempl	-.001	.028
RRR (relative relational rewards – dimension of relational net benefits)	HrelLeng	.000	-.046
	CMrellen	.003	-.073
	ContFreq	.003	.072
	CliShare	-.001	.028
	Nempl	.006	.089
RID (relational investment and dependence - dimension of relational net benefits)	HrelLeng	-.002	.000
	CMrellen	.000	-.050
	ContFreq	.010	.109
	CliShare	.006	.088
	Nempl	.008	.100
COM (single dimension of communication)	HrelLeng	.001	.056
	CMrellen	-.002	-.013
	ContFreq	-.001	.028
	CliShare	-.002	.010
	Nempl	-.002	.001

Table 2: Multiple Linear Regression Results Control Variables (shaded cells represent models and/or parameter estimates at least significant at a  $p < .05$  level).

Dependent variables	Adj. R <sup>2</sup>	F Coeff.	Predictor variables	Std. $\beta$
MG (single dimension of mutual goals)	.014	2,356	HrelLeng	.108
			CMrelLen	-.139
			ContFreq	.012
			CliShare	.021
			Nempl	.094
COMMIT (single dimension of commitment)	.009	1.874	HrelLeng	.150
			CMrelLen	-.069
			ContFreq	-.047
			CliShare	.057
			Nempl	.013
RQS (satisfaction dimension of relationship quality)	.058	6.875	HrelLeng	-.103
			CMrelLen	.235
			ContFreq	-.041
			CliShare	.078
			Nempl	.149
RQT (trust dimension of relationship quality)	-.003	.720	HrelLeng	-.015
			CMrelLen	-.002
			ContFreq	-.009
			CliShare	.028
			Nempl	.084
PSB (problem solving behaviour - dimension of customer orientation)	.005	1.449	HrelLeng	.086
			CMrelLen	-.079
			ContFreq	.014
			CliShare	.019
			Nempl	.058
SO (selling orientation - dimension of customer orientation)	-.002	.839	HrelLeng	.007
			CMrelLen	-.052
			ContFreq	.067
			CliShare	.015
			Nempl	.005
SE (selling ethics - dimension of customer orientation)	-.003	.763	HrelLeng	.087
			CMrelLen	-.041
			ContFreq	.023
			CliShare	-.026
			Nempl	.010
RRR (relative relational rewards – dimension of relational net benefits)	.006	1.550	HrelLeng	-.042
			CMrelLen	-.054
			ContFreq	.044
			CliShare	.002
			Nempl	.082
RID (relational investment and dependence - dimension of relational net benefits)	.011	2.032	HrelLeng	-.003
			CMrelLen	-.042
			ContFreq	.061
			CliShare	.057
			Nempl	.076
COM (single dimension of communication)	-.006	.482	HrelLeng	.071
			CMrelLen	-.039
			ContFreq	.023
			CliShare	.001
			Nempl	-.017

In sum, the only significant associations at least at the .05 level that are common to correlation analysis and both simple and multiple regressions were found between CMrelLeng and RQS, between Nempl and RQS, and between Nempl and MG. The association between HrelLeng and COMMIT (the single dimension of commitment), revealed to be a significant correlation, as well as significant parameter estimates in both simple and multiple regressions, only the multiple regression model revealed to be non-significant. Even out of the significant associations, generally, values for  $R^2$  and parameter estimates were low, perhaps with the exception of links between RQS and both CMrelLeng and Nempl. The fact that the significant associations between controls and exogenous latent variables, found in both correlation and simple regression analyses, did not hold in multiple regression tests, might indicate that the selected control variables are not exerting significant effects on the constructs representing the main effects in the proposed model. This assumption will be put to test during the testing of control variables within SEM analysis.

Table 3 in this appendix (a reproduction of Table 7.6) summarises the decision process regarding which variables should be considered for SEM, in order to investigate their impact when incorporated in the structural model, together with the constructs representing the main effects.

Table 3: Summary of selection process regarding control variables (C: positive, significant correlation; SR: positive, significant link in simple regression; MR: positive, significant link in multiple regression; Shaded cells suggest links to be considered for SEM).

	Length Rel. with Hotel	Length Rel. with CM	Contact Intensity	Client Share	Size of Corp. Client	Contract
<b>Communication</b>						
<b>Problem Solving Behaviour</b>						
<b>Selling Orientation</b>						
<b>Selling Ethics</b>						
<b>Relational Relative Rewards</b>					SR	
<b>Relational Investment and Dependence</b>			C; SR		C; SR	
<b>Commitment</b>	C; SR; MR					
<b>Mutual Goals</b>	MR	MR	C		C; SR; MR	
<b>Trust</b>						
<b>Satisfaction</b>	MR	C; SR; MR			C; SR; MR	

In this context, the proposed links to be added for SEM are as follows (see also Figure 1 in this appendix):

- Relationship length with hotel (HrelLeng) impacting on commitment;
- Relationship length with client manager (CMrelLen) impacting on RQ [NOTE: this is because satisfaction (RQS) is one of the dimensions of RQ]; and
- Size of corporate client (Nempl) impacting on both RQ [NOTE: this is also because satisfaction (RQS) is one of the dimensions of RQ] and mutual goals (MG).

### **Testing Control Variables within Structural Equations Analysis**

A series of tests were carried out to investigate the role of the above mentioned selected control variables when incorporated in the proposed model (see Figure 1). The purpose of these tests was to compare results produced by the structural model with vs. without the inclusion of control variables. First, the impact of each control was assessed, one by one. Then, all three controls were included simultaneously in the analysis. Before moving on to the description of the actual tests, a brief explanation of how controls have been measured within SEM follows.

In a procedure analogous to the structural analysis regarding main effects, and in coherence with the distinction between conceptual control variables (CCV) and measured control variables (MCV) (Becker 2005), control variables were treated as latent constructs and the respective items in the questionnaire as their (single) indicators. Moreover, controls were allowed to correlate to all exogenous latent variables (including other control variables), following a procedure that is considered adequate for treating control variables in SEM (Becker 2005). In short, we build on the model including the main effects, that is, the constructs representing RQ and its determinants, and add the selected control variables, firstly one at a time, then simultaneously, and compare results.

The issues of interest were: whether the directions of the associations between constructs are as hypothesized (signs of parameters), the strength and statistical significance of the hypothesised relations (values of parameters and whether their corresponding t-values are greater than |1.96|), and the amount of variance explained ( $R^2$ ).

### *Controlling for Relationship Length with Hotel*

Results revealed a positive association between length of relationship with hotel and commitment, but non-significant. Moreover, with the inclusion of relationship length with hotel in SEM, together with the constructs representing the main effects, no improvement was found with regard to percentage of variance explained ( $R^2$ ), and there were practically no relevant differences in LISREL output (see also Table 5 in this appendix, for a summary of results).

### *Controlling for Relationship Length with Client Manager*

Results showed a positive and significant association between relationship length with client manager and RQ, although the parameter estimate revealed to be not very high. Moreover, the inclusion of relationship length with client manager in the structural model, together with the constructs representing the main effects, produced a slight improvement in  $R^2$ , as well as a slight degradation of goodness-of-fit statistics. Apart from both residuals analysis and modification indices suggesting association between relationship length with client manager and RQS, there was no relevant differences in LISREL output (see also Table 5).

### *Controlling for Size of Corporate Client*

Again, positive associations were found between size of corporate client and both RQ and mutual goals, but non-significant. Likewise, adding this control variable to the structural model resulted in a very marginally, practically irrelevant improvement in  $R^2$ , and virtually no differences in LISREL output (see also Table 5).

### *Controlling Simultaneously for Relationship Length with Hotel, Relationship Length with Client Manager, and Size of Corporate Client*

By and large, results of the inclusion of the three control variables simultaneously in the structural equations analysis seem to corroborate those of the testing of controls one at a time. In fact, positive associations were found between size of corporate client and both RQ and mutual goals, as well as between relationship length with hotel and commitment, but non-significant, whereas the link between relationship length with client manager and RQ is positive and significant, although, again, with a low parameter estimate (see Figure 1).

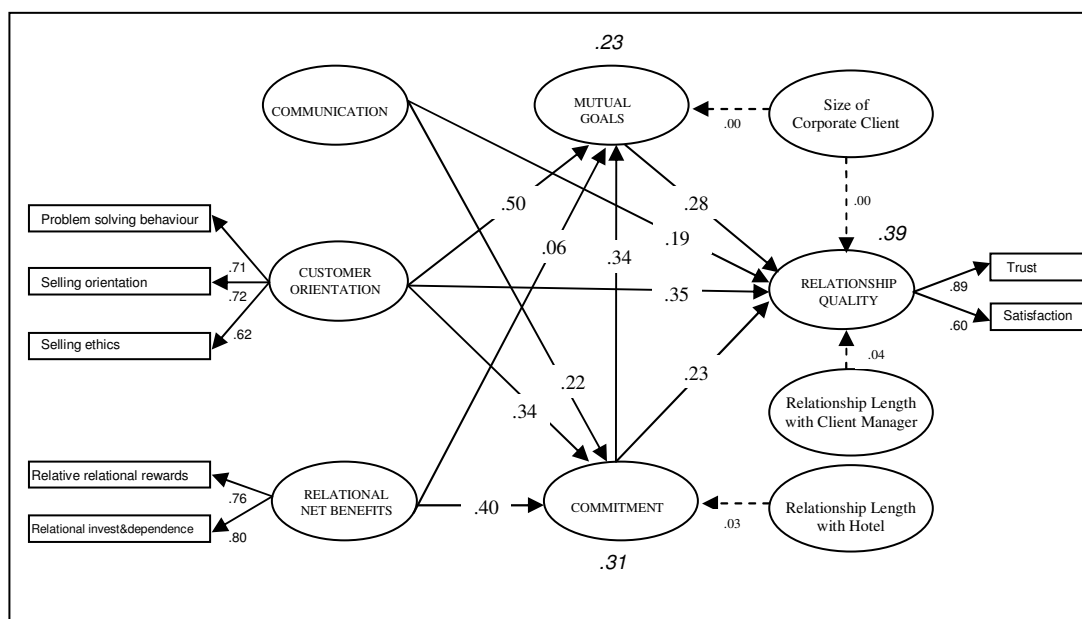


Figure 1: Structural Model including Control Variables with Path Estimates and  $R^2$  Values (in *Italic*).

In addition, the inclusion of all three control variables in the structural equations model produced a degradation of both  $R^2$  and goodness-of-fit statistics (see

Table 4 in this appendix, a reproduction of Table 7.7). In terms of LISREL output, in general, again, no major differences were found in relation to the model containing only the main effects. The exceptions are relationship length with hotel showing negative residuals with the trust dimension of RQ (RQT) and positive residuals with the single dimension of communication (COM), and the existence, once more, of positive residuals between relationship length with client manager and RQS. The latter association had also been revealed when this control variable was the only control included in the structural model, as described above. It is also worthy of note that, when controls are tested simultaneously, the suggestion of association between relationship length with client manager and RQS is common to both residuals analysis and modification indices. A final and lateral comment regarding to the innocuous effects of the inclusion of control variables refers to relative predominance of the trust dimension, which is maintained, as well as the indication that selling ethics is the weakest dimension of customer orientation, as suggested by the first test of the structural model (on the calibration sample).

Table 4: Results for structural model including effects of control variables.

Parameter	Path	Estimate	SE	t-value	R <sup>2</sup>	Hyp.	Result
COMMITMENT→R. QUALITY	$\beta_{13}$	.230	.051	4.51		H <sub>1</sub>	Supported
M. GOALS→R. QUALITY	$\beta_{12}$	.280	.051	5.42		H <sub>3</sub>	Supported
COMMUNICATION→R. QUALITY	$\gamma_{11}$	.190	.044	4.33		H <sub>4</sub>	Supported
C. ORIENTATION→R. QUALITY	$\gamma_{12}$	.350	.099	3.48		H <sub>7</sub>	Supported
Rel. Length C. Manager→R. QUALITY		.040	.016	2.35			Significant
Size of Corp. Client→R. QUALITY		.000	.000	1.17			Non-sign.
					.39		
COMMITMENT→M. GOALS	$\beta_{23}$	.340	.059	5.69		H <sub>2</sub>	Supported
C. ORIENTATION→M. GOALS	$\gamma_{22}$	.500	.100	4.97		H <sub>6</sub>	Supported
R. NET BENEFITS→M. GOALS	$\gamma_{23}$	.060	.062	1.01		H <sub>9</sub>	Not Supp.
Size of Corp. Client→M. GOALS		.000	.000	1.13			Non-sign.
					.23		
COMMUNICATION→COMMITMENT	$\gamma_{31}$	.220	.044	4.85		H <sub>5</sub>	Supported
C. ORIENTATION→COMMITMENT	$\gamma_{32}$	.340	.096	3.52		H <sub>8</sub>	Supported
R. NET BENEFITS→COMMITMENT	$\gamma_{33}$	.400	.057	7.05		H <sub>10</sub>	Supported
Rel. Length Hotel→COMMITMENT		.030	.015	1.64			Non-sign.
					.31		

Table 5 presents a summary of results that compare the proposed structural model comprising the main effects - i.e., RQ and its potential determinants - vs. each of the models testing the effects of control variables. The selected criteria for comparison were the percentage of statistically significant parameters in each of the models, the average squared multiple correlations (ASMC), and the same goodness-of-fit statistics that were used to assess the proposed structural model comprising only the main effects.

Table 5: Summary of Results for Control Variables' Effects.

Proposed Model vs. Controlling for...	%Sig. Param.	AS MC	$\chi^2$	p	df	$\chi^2/df$	RM SEA	GFI	AGFI	NNFI	CFI
Proposed Model - Calibration Sample	92	.390	40.04	.003	25	1.60	.036	.98	.96	.99	.99
Controlling for Rel. Length with Hotel	86	.390	46.43	.037	31	1.50	.032	.98	.96	.99	.99
Controlling for Rel. Length C Manager	92	.399	74.21	.000	31	2.39	.054	.97	.94	.97	.98
Controlling for Size of Corp Client	80	.392	48.57	.017	30	1.62	.036	.98	.96	.99	.99
Controlling for all Control Variables	76	.310	101.2	.000	42	2.41	.055	.97	.93	.96	.98



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